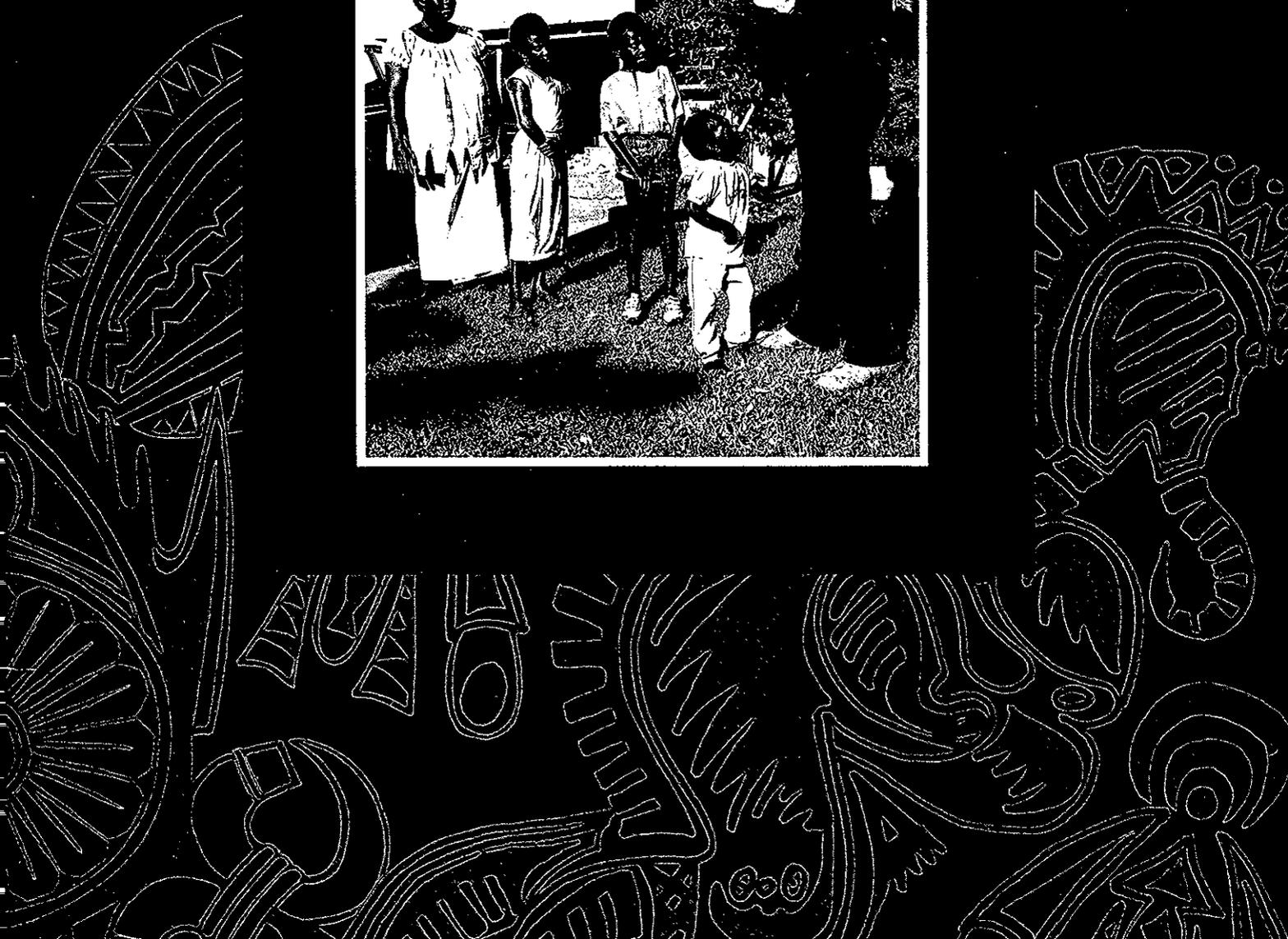
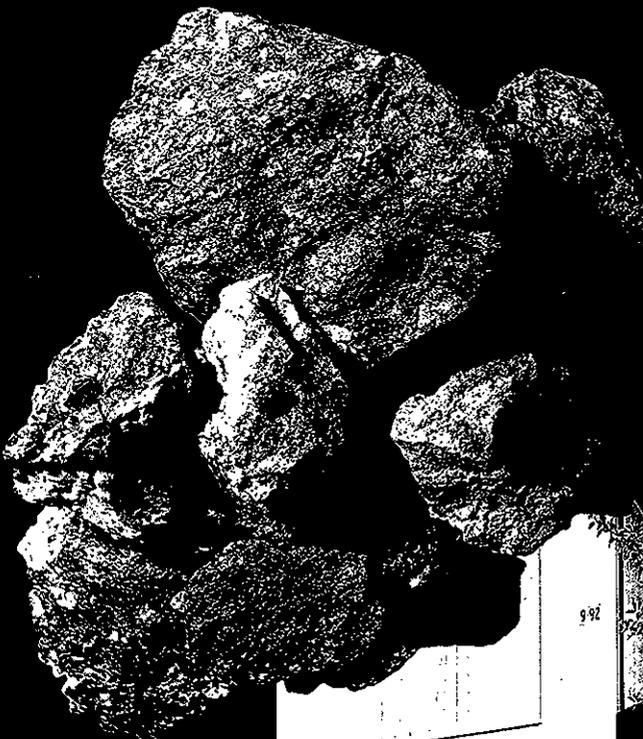




D563.





Bougainville Copper Limited – the Company

B

ougainville Copper Limited operates a large open pit mine and processing facility at Panguna on Bougainville Island in the North Solomons Province of Papua New Guinea. It produces copper concentrate containing significant quantities of gold and silver. The concentrate is sold primarily under long term contracts to smelters in Asia and Europe.



During 1987 the Company mined 83.5 million tonnes of material. Of this, 48.2 million tonnes of ore were treated to produce 585 503 tonnes of concentrate. This concentrate contained 178 211 tonnes of copper, 15 088 kilograms of gold and 50 599 kilograms of silver. Concentrate sales of 567 644 tonnes had a gross sales value of K489.4 million (of which copper and gold contributed 60% and 38% respectively).

The operation is unusual in the very large tonnage of material treated. The mine commenced commercial production in 1972 and since inception has produced concentrate containing 2.8 million tonnes of copper, 285 tonnes of gold and 715 tonnes of silver. This production had a value of K4.4 billion which represents approximately 44% of the country's exports over that period. During this time contributions to the Government in the form of dividends, taxes and royalties totalled K890 million which represents approximately 17% of internally generated Papua New Guinea Government revenue. Further, the Company's presence in the North Solomons Province has promoted the development of significant local business enterprises to provide goods and services required for the mining operation and for the Province's residents.

The Company is the largest private employer in the country employing over 3 700 persons; of whom 3 025 are Papua New Guinea citizens.

Company training programs have resulted in considerable progress in the localisation of the Company's employees and have added significantly to the number of skilled workers in the country's workforce.

Bougainville Copper Limited is owned 53.6% by CRA Limited. The Papua New Guinea Government owns 19.1% while the remaining 27.3% of the share capital is held by public shareholders.

Theme of the 1987 Report

Bougainville Copper recognises the pivotal role of its employees. The physical resources of the ore body and infrastructure can only contribute wealth as a result of efforts of the people involved in the operation. The theme chosen for the 1987 report is Bougainville Copper's commitment to the education, training and development of its people. The Company is proud of its record and of the contribution it has made to Papua New Guinea as a whole in this regard.

Theme of 1987 Report

The physical impact of BCL operations at Panguna is easy to see. The photographs in this report focus on various aspects of BCL's commitment to its employees.

Cover: A BCL employee with his family.

Left: Panguna before mining operations commenced.

Above: Panguna today, 16 years later. In greater detail on inside back cover.

Notice of Meeting

The Annual General Meeting of Bougainville Copper Limited will be held at 10.00 a.m. on Wednesday, 13th April, 1988 in the Panguna Cinema, Panguna, North Solomons Province, Papua New Guinea.

A separate Notice of Meeting is enclosed. All shareholders are cordially invited to attend.

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Directors

D. S. Carruthers (Chairman)
G. Billard
R. J. Cornelius
W. J. N. Davis
P. G. F. Henderson, A.C.
J. T. Ralph
W. D. Searson
D. C. Vernon

Officers

R. J. Cornelius
(Managing Director)
J. L. Auna
(General Manager – Personnel Services)
I. Garside
(General Manager – Support Services)
S. J. Jopling
(General Manager – Business Analysis)
K. R. Perry
(General Manager – Commercial)
P. Piercy
(General Manager – Technical Services)
L. K. Tan
(General Manager – Mine)
C. G. Thorne
(General Manager – Concentrator)
G. W. Ewing
(Secretary)

Management

BCL's management team – a diversity of age, background, training and race working together.

Photo: Left to Right – Ian Garside, Tan Loong Keat, Paul Piercy, Bob Cornelius, Steve Jopling, Ken Perry, Joe Auna, Grant Thorne.

Year in Brief

		1987	1986
Concentrate production	(tonnes)	585 503	586 552
containing copper	(tonnes)	178 211	178 593
gold	(kilograms)	15 088	16 367
silver	(kilograms)	50 599	50 385
Net sales revenue	(K'000)	411 710	337 254
Net earnings after tax	(K'000)	93 629	45 314
Earnings per share	(toea)	23.3	11.3
Shareholders' funds	(K'000)	585 954	587 740
Return on shareholders' funds	(per cent)	16.0	7.7
Gross dividends	(K'000)	92 245	44 117
per one kina share	(toea)	23.0	11.0
Depreciation and amortisation	(K'000)	49 438	47 345
Government royalties and taxation	(K'000)	55 911	33 044
Number of employees at 31 December		3 724	3 699

- Best year's result since 1974 with net earnings of K93.6 million, representing a return on shareholders' funds of 16.0%.

- The Concentrator Division achieved two million man-hours without a lost time injury.

- The pre-concentration screening plant was commissioned and yielded 9.5 million tonnes of product from 23 million tonnes of feed.

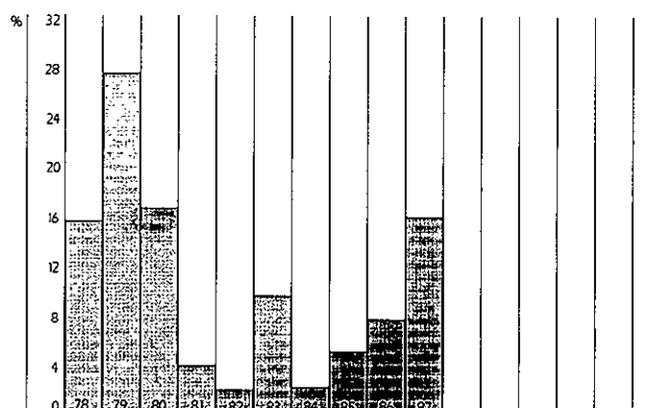
- 391 employees, including 290 apprentices, attended formal training courses and a further 426 attended supervisory and management courses.

- Two new long term contracts for the supply of 3.75 million tonnes of concentrate to the consortium of Japanese copper smelters were signed and dependence on the more costly European market has been reduced with further diversification into the Asian area.

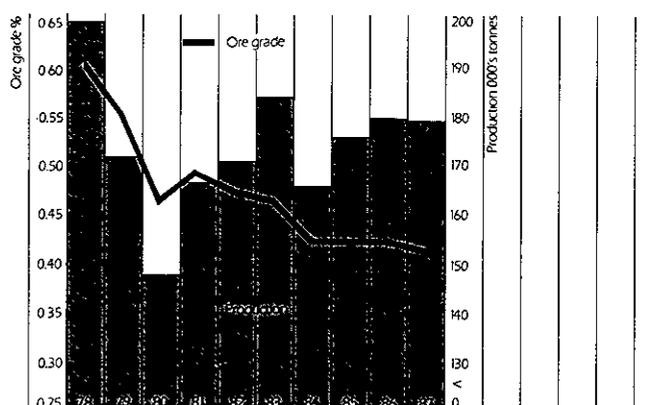
- Capital expenditure of K30.5 million.

- Record 83.5 million tonnes of material mined.

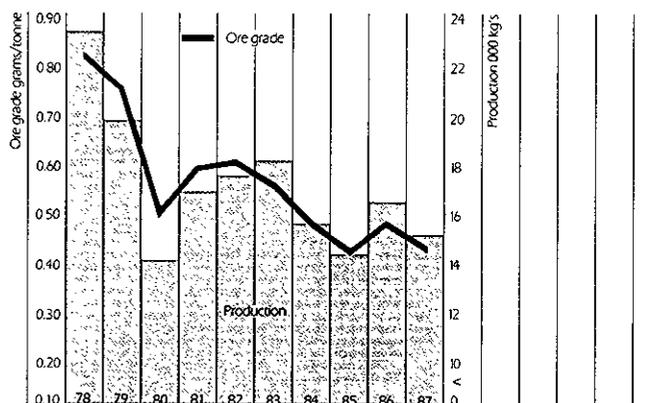
- Gross sales value K489.4 million – highest since operations commenced.



Return on shareholders' funds.



Copper ore grade & production of contained copper.



Gold ore grade & production of contained gold.



Chairman's Statement



D. S. Carruthers
Chairman

The Company's

net earnings for 1987 were K93.6 million, a marked improvement on the 1986 result, and the best result since 1974 if one ignores the effects of inflation. The return on shareholders' funds increased from 7.7% to 16.0%. The improvement was due to substantially higher metal prices in the second half of the year, and was in spite of a higher kina/US dollar exchange rate than in 1986.

Material mined at 83.5 million tonnes was 4.4 million tonnes higher than in 1986, most of the increase being waste removed for pit development. Concentrate and metal production were slightly lower than in 1986, despite higher metallurgical recoveries associated with the operation of the thirteenth mill on regrind, reflecting the lower headgrade of ore milled.

Developments:

The pre-concentration screening plant was commissioned in January, 1987 and processed 23 million tonnes of feed during the year to yield 9.5 million tonnes of product. Design capacity of 35 million tonnes per year is expected to be achieved in 1988. The fourteenth mill, which will operate as a second regrind mill, is under construction and will be commissioned late in 1988, further improving metallurgical recoveries.

It has been decided to replace the haul truck fleet which is near the end of its economic life, and to install in-pit

crushing and conveying by 1990. Work on the tailings disposal pipeline to the west coast progressed during the year and contracts for supply of major components for this project have now been awarded.

In July two new 15 year contracts were signed with the consortium of Japanese smelters. These contracts cover a total of 250 000 tonnes of concentrate per annum and treatment charges will be negotiated on half the tonnage each year. Tonnage contracted to Germany halved in April to 90 000 tonnes of concentrate per annum. This has reduced the Company's partial dependence on the more costly European market and enables increased market diversification. The first shipment to the Pasar smelter in the Philippines was completed smoothly in August and it is expected that shipments will be made on a regular basis.

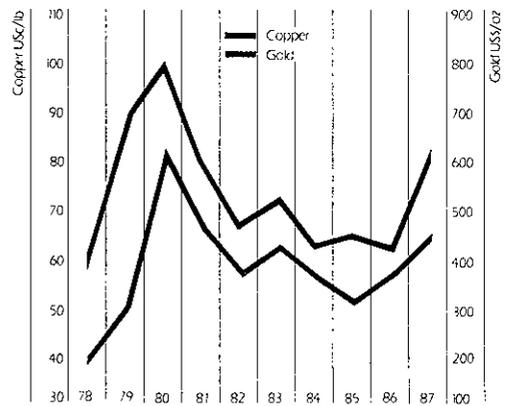
Human Resources:

After an association with Bougainville Copper spanning 21 years, commencing prior to construction, Mr. Paul Quodling, O.B.E. retired on 31 July 1987.

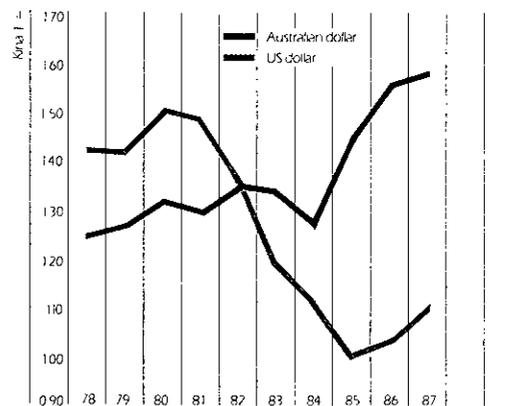
Mr. Quodling, who was Managing Director from August 1982 until his retirement, made a major contribution to the success of all phases of the operation, and to the Company's relationships with people and governments of Papua New Guinea and North Solomons Province. Mr. R. J. (Bob) Cornelius, who has been with Bougainville Copper since June 1982, succeeded Mr. Quodling as Managing Director.

I am sorry to report Mr. Henry Moses, past President of the Bougainville Mine Workers' Union, passed away on 12 December, 1987. Mr. Moses had been a leader of the Union since its inception and his wisdom contributed greatly to industrial harmony.

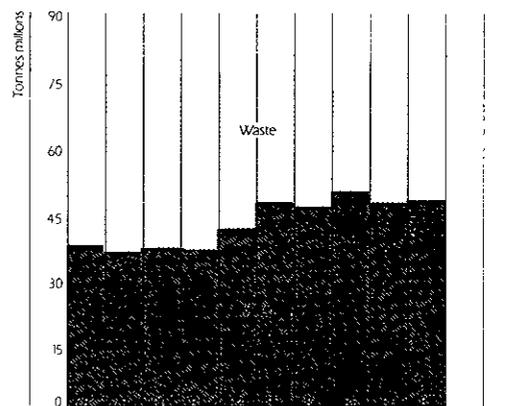
Bougainville Copper operates a successful mining operation with a strong commitment to developing and maintaining a skilled workforce. To ensure that its employees have the skills necessary to carry out their work efficiently, and to contribute to the future success of the operations, the Company devotes significant resources of time, energy and money to training, education and employee development throughout the organisation. It is this commitment to the development of its employees that is the theme for this year's report.



Copper & gold prices.



Average exchange rates to kina.



Material mined.

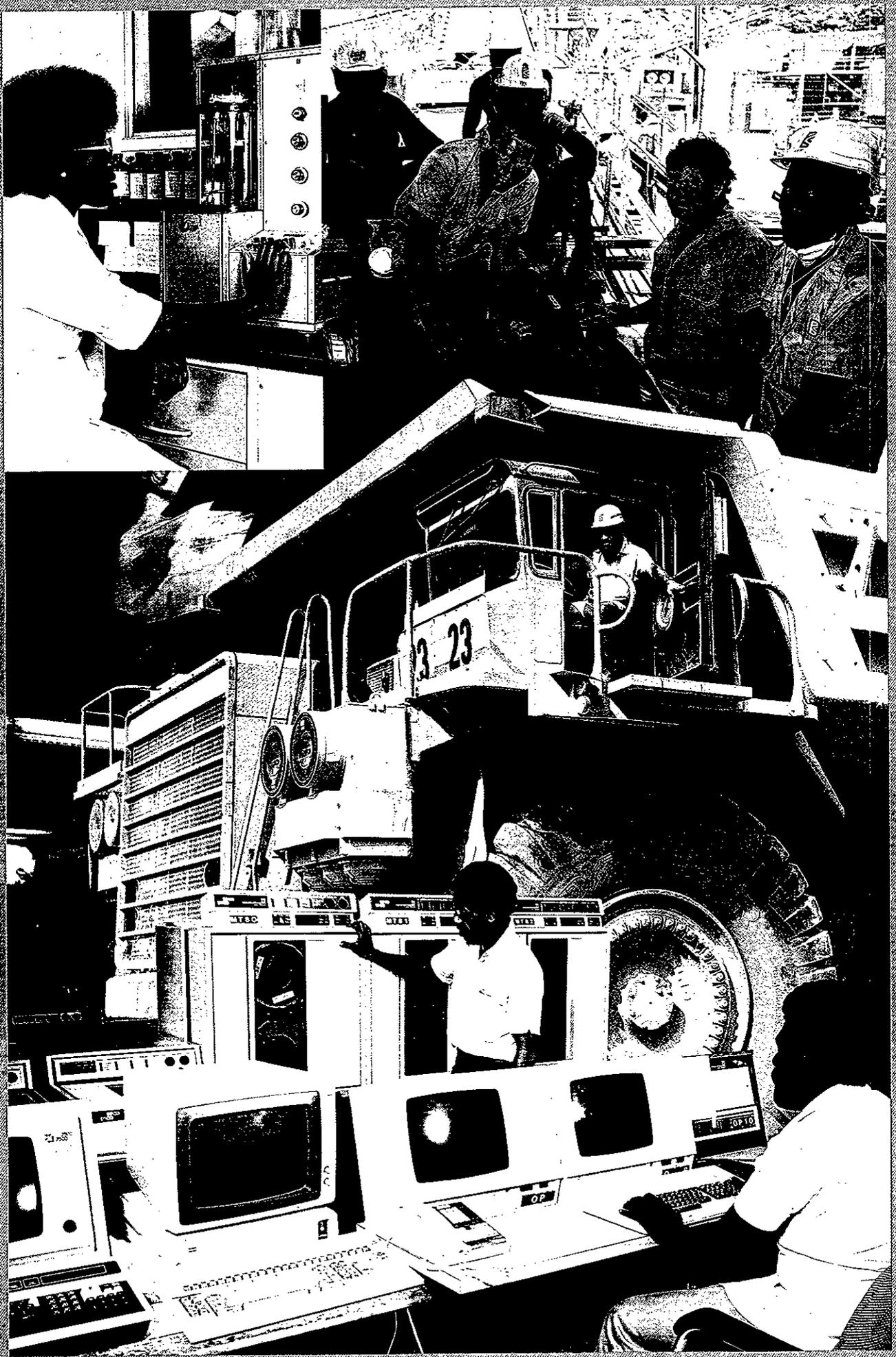
Recruitment/Induction

Selection of the right people and a successful introduction to the operations of BCL are essential pre-requisites for a committed workforce.

Top: Issuing uniforms.

Centre: Induction session.

Bottom: Tour of the mining operation.



Outlook:

In last year's Annual Report, I expressed the view that copper prices were expected to remain depressed due to oversupply and static demand. In the event, supply problems in a number of copper producing countries together with continued (if modest) world economic growth, resulted in a significant reduction in stocks of copper, and a substantial increase in price in the second half of the year. In addition, the weakness of the US dollar and resulting inflationary expectations gave rise to an increasing gold price in US dollars.

However, the world faces a number of major economic issues which have the potential to affect the Company's business, such as:

- the budgetary and balance of payments deficits of the United States;
- the scale and continued expansion of world debt and in particular the continuing problem of third world debt;
- the substantial fall in world stock markets;
- strong currencies in Japan and Western Europe.

The prospects for continued world economic growth are clouded by these issues. Whether they can be resolved without a recession is uncertain, but there are indications that recession in late 1988 and 1989 is a possibility.

Demand for copper in 1988 is likely to be subdued, and we must assume that the supply problems which developed in 1987 will be at least partly overcome. The prospect therefore is for copper stocks to increase and the price to decline.

The outlook for the gold price is also not encouraging. In an environment of uncertainty about economic growth,

inflationary expectations are likely to be low, which would tend to have a negative impact on the gold price.

The Company's major markets are in strong currency countries (Japan and Western Europe). The decline in the US dollar relative to these currencies has reduced receipts by the smelters in domestic currency terms, resulting in requests for increases in treatment and refining charges. In spite of this, the Company has been able to hold total realisation costs constant in US dollar terms.

External forces are likely to make 1988 a more difficult year than 1987. The best opportunities for optimising both profitability and the utilisation of the Panguna resource lie with a reduction in operating costs. Much has been achieved in this area in recent years and an ongoing program to re-examine every aspect of costs, and to find ways to reduce them further, was commenced in 1987.

Papua New Guinea Economy:

The Government of Pias Wingti was returned to office in the June 1987 national elections. Indications are that the Government will continue to emphasise support for the rural economy.

Unfortunately, droughts in the north coast area and on some of the islands had a detrimental impact on rural production. In addition, the fall in world coffee prices is estimated to have cost the country about K85 million in lost revenue, despite the slightly higher coffee quota allocated to Papua New Guinea in 1986/87. Growers of the other major rural commodities, copra and cocoa, experienced lower domestic returns on these crops.

Papua New Guinea continues to face trade and balance of payment deficits. In an effort to meet some of these problems attention is being given to improving the efficiency of the government sector.

Gold and hydrocarbon deposits of considerable promise have been discovered, and hold the potential for generating significant economic activity and export income in the years to come.

The challenge for the governments, both National and Provincial, will be to foster these developments so that their economic potential can be realised.

Exploration and the Bougainville Copper Agreement:

The Bougainville Copper Agreement, as amended in 1974, is due for review in 1988. The Agreement provides for discussions to be undertaken at seven year intervals to ensure the Agreement is operating fairly.

A moratorium on issuing further Prospecting Authorities and mining tenements on Bougainville Island has been in place for over 15 years. Because of the long lead times in exploration, evaluation and development of any resource which may be discovered, it is of the utmost importance to the future of the Company, of the North Solomons Province and of the nation, that the moratorium now be lifted.

Consequently, the Company's approach to the 1988 review will be determined by the need to contain costs in an uncertain world economic environment, and by its concern to have the exploration moratorium lifted.

Conclusion:

Both operating and financial results in 1987 were good, and satisfactory progress was made on capital projects which will contribute to the Company's performance in the period ahead. The relief generated by high copper and gold prices in the second half of the year should not, however, make us complacent. The world economy is in an uncertain state, and the Company's results will be fundamentally affected by the impact on metal prices of developments in the major economies of the United States, Japan and Western Europe.



D. S. Carruthers
Chairman
16 February, 1988

Employment
BCL successfully links a wide diversity of people and occupations. Employees are continually challenged to improve performance and introduce new ideas to enhance BCL's competitive position.

Top left: Analytical Laboratories

Top right: Belt Splicing

Centre: Haul Truck Operator

Bottom: Computer Operations



Review of Operations



R. J. Cornelius
Managing Director

A record

83.5 tonnes of ore mined, and the commissioning of the pre-concentration screening plant, were the main features of a successful year.

Measured Ore Reserve:

The recoverable proved ore reserves at the end of 1987 were estimated at 530 million tonnes at 0.40% copper and 0.46 grams of gold per tonne of ore. A review of ore reserves will be carried out in the light of results of operation of the pre-concentration screening plant.

Production:

Production statistics were as follows:

	Year Ended 31/12/87	Year Ended 31/12/86
Material mined (millions of tonnes)		
Ore	48.2	47.9
Waste	35.3	31.3
Waste/Ore ratio	0.73/1	0.65/1

Ore grade	1987	1986
Copper (per cent)	0.41	0.42
Gold (grams/tonne)	0.43	0.48
Silver (grams/tonne)	1.33	1.38

Concentrate produced (dry tonnes)	1987	1986
	585 503	586 552

Concentrate grade	1987	1986
Copper (per cent)	30.4	30.5
Gold (grams/tonne)	25.8	27.9
Silver (grams/tonne)	86.4	85.9

Contained metal in concentrate	1987	1986
Copper (tonnes)	178 211	178 593
Gold (kilograms)	15 088	16 367
Silver (kilograms)	50 599	50 385

Mine:

Total production from the pit during the year increased to a record 83.5 million tonnes comprising 48.2 million tonnes of ore and 35.3 million tonnes of waste. Copper grade was marginally lower at 0.41% and gold grade decreased by 0.05 grams/tonne to 0.43 grams/tonne. The material dumped as waste increased primarily due to pit development on the western wall of the pit.

Mining capacity will increase further next year with the purchase of two additional P & H 2100 shovels. This will allow advance stripping to recommence.

Mining equipment availability and performance continued at high levels. Thirty Euclid R190 haul trucks have been ordered to initiate replacement of the present fleet. This, together with installation by 1990 of an in-pit crushing and conveying system, will further contain increases in hauling costs as the pit deepens.

The drilling program around the northern perimeter of the pit is nearing completion. Only low grade mineralisation, outside the current pit limits, has been intersected and is unlikely to make a significant contribution to the ore reserve as estimated on the basis of current economics.

Concentrator:

The pre-concentration screening plant was commissioned in January 1987. The plant processed 23 million tonnes of marginal grade material, most of which previously would have been directed to waste. Engineering enhancements during 1987 should allow realisation of the rated capacity of 35 million tonnes to be achieved in 1988.

Concentrator throughput increased marginally from 47.9 million tonnes in 1986 to 48.2 million tonnes in 1987. The adverse effects of unusually heavy rain in the early months were offset by higher milling rates later.

Concentrate production was 585 503 (1986: 586 552) tonnes containing 178 211 (1986: 178 593) tonnes of copper and 15 088 (1986: 16 367) kilograms of gold and 50 599 (1986: 50 385) kilograms of silver.

Metal recoveries benefited by the application of No. 13 ball mill to regrind for the full year. The success of the 13th mill in secondary milling mode provided justification to construct a 14th mill to be also utilised for regrinding. This 14th mill will be commissioned late in 1988. Evaluation of the new higher capacity Nordberg MP1000 crusher (previously called 'Omnicone') continued. Results were sufficiently encouraging to support the purchase of two of the crushers which will be commissioned early in 1989.

A new apprentice training workshop was built for the Milling section. This completes the program of decentralisation of training which has apprentices identifying more closely with the maintenance teams in which they eventually take their places as tradesmen.

Operating Costs:

Production costs increased by 7% during 1987, reflecting continuing inflationary trends in the Company's major source countries.

The increase was also partly attributable to the commencement of pre-concentrator screening plant operations early in 1987 as well as to increased fuel oil prices and higher maintenance and labour costs. The impact of the customs duty revision of 1986 also had a significant effect.

Development/Training

Apprentice training, management training, support for studies and other training within PNG and overseas, bursaries for attending local primary and secondary schools show some of the efforts BCL makes to develop its people.

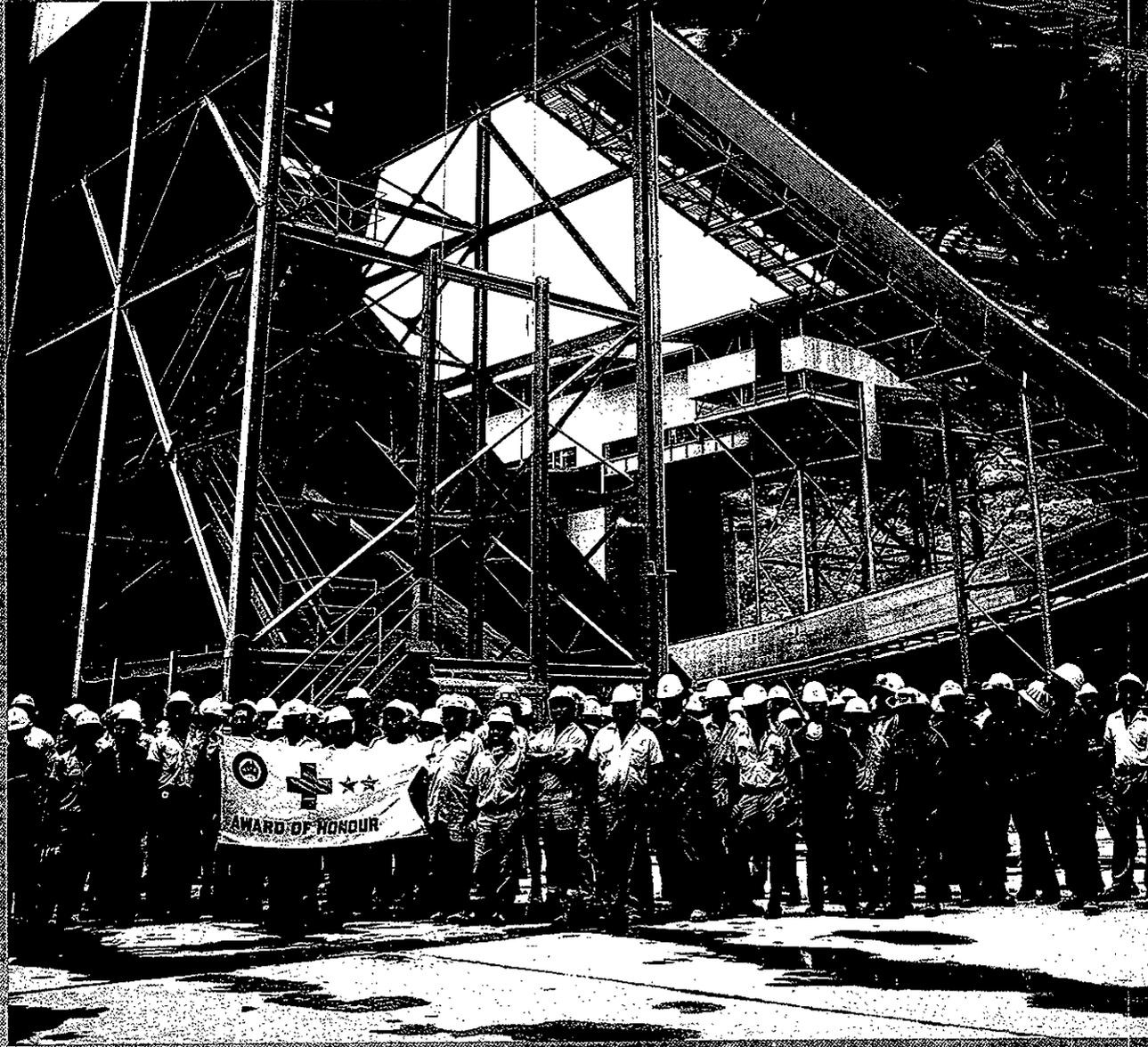
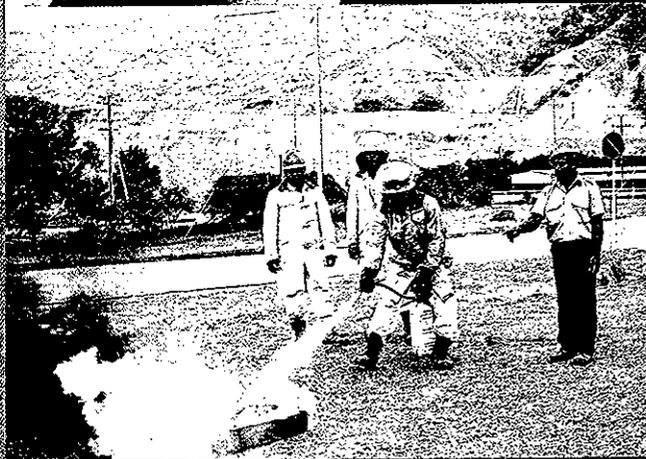
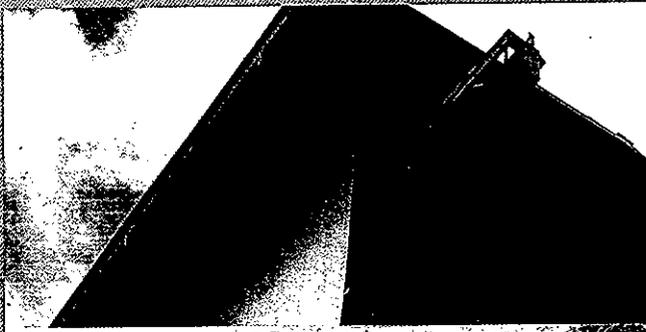
In the new cadet scheme, selected students are supported by BCL in attending boarding schools in Australia, and later Universities. Performance is the criteria. BCL hopes that many of the cadets return to seek employment within the company.

Top left: Overseas study.

Top right: Apprentice training.

Centre: Operator training.

Bottom: On the job training.



Production costs, particularly those related to maintenance and support activities, have been and will continue to remain under close review. The introduction of new supply and maintenance systems during 1987 will allow more efficient management of these areas in the future. In addition, the commissioning of new haul trucks commencing in 1988 should help contain unit costs in the mine.

It is well recognised that cost reduction is central to continued profitable operation. Efficiencies through the application of cost effective capital expenditure will be supplemented by close attention to operating practices.

Marketing:

Sales of concentrate during 1987 totalled 567 644 (1986: 589 384) dry tonnes containing 173 353 (1986: 178 774) tonnes of copper, 14 746 (1986: 16 445) kilograms of gold and 49 353 (1986: 50 373) kilograms of silver.

The copper price on the LME began the year at US\$60c/lb and rose almost continuously throughout 1987 to peak at US\$145c/lb in December. The average market price for the year was US\$81c/lb (1986: US\$62c/lb).

The most notable feature of the copper metal market was the backwardation which developed in April and was sustained through the remainder of the year. At its peak, the backwardation meant the spot copper price was US\$27.4c/lb higher than the 3 months forward price.

A very tight physical market caused the backwardation. Firstly, supply of metal was adversely affected by transport problems in Zambia, industrial strife in Canada, and other smelter production problems in the United States, Peru and Taiwan. The only surplus smelter capacity exists in Japan, where production is constrained by a world shortage of copper concentrate.

Safety
Safety is an attitude of mind and is an integral part of working for BCL with an enormous benefit for both employees and the Company. BCL is proud of its safety record which is exemplified by the 2 million man-hours worked without lost time injury in the Concentrator division.

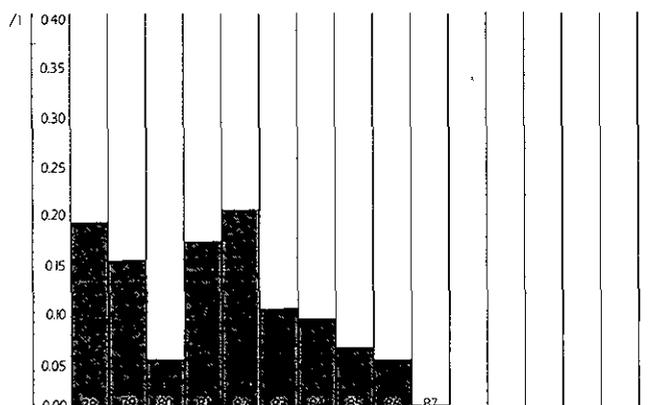
Secondly, world demand for copper metal had been expected to weaken but continued economic growth in the United States and Japan caused strong world demand. Terminal market stocks at year end were at their lowest level for 13 years. While favourable prices may continue for the early part of the year, it is believed that in the longer term they must decline.

Gold began the year at US\$400/oz and rose to a peak of US\$502/oz in December to average US\$447/oz (1986: US\$368/oz). The higher prices were largely a US dollar phenomenon as in yen and deutschemark terms, gold prices remained approximately the same as last year.

The custom copper concentrate market finished the year in a state of confusion and uncertainty as dramatic currency realignments in a number of major consuming countries reduced smelter revenues in domestic currency terms, while concentrate supply problems and higher demand combined to exert downward pressure on US dollar treatment charges.

The fall in the US dollar has significantly improved the competitiveness of the US smelters relative to other smelters, especially in Japan and Germany. However, the Japanese smelters still have excess capacity which could be utilised through a rationalisation of their industry.

During 1987 agreement was reached with the Japanese consortium on renewing the long term sales contract which expired in March. Under the new arrangement the Japanese smelters will continue to receive approximately 250 000 wet tonnes of concentrate per annum. However, this will now be delivered C.I.F. A shipping contract for transport of concentrates to Japan has been arranged for the next two years with on-going options to match the sales contract, at attractive freight rates. This leaves only sales to China on an F.O.B. basis. The Company also reached agreement with the Philippine Associated Smelting and Refining Corporation for delivery of 33 000 wet tonnes of concentrate during 1987.



Debt equity ratio.*
 *Ratio of year end loans outstanding to shareholders' funds

This is the first use of BCL concentrate by that smelter and it is expected to become an important market for the Company. Sales continued to Germany, Spain and Korea under long term contracts.

Finance:

The US dollar was under considerable pressure throughout the year and despite massive Central Bank support weakened considerably over the year against the Yen (23%) and Deutschemark (17%). The kina opened the year at 1.04 against the US dollar and strengthened during the year to close at 1.14.

With improved earnings in the latter half of 1987, the outstanding loan balance on the Multiple Option Facility was fully repaid in September. Loan balances at the end of the year were K2.9 million (1986: K28.8 million) and cash balances increased to end the year at K78.5 million (1986: K50.9 million).

The Company's US\$115 million Multiple Option Facility will continue to ensure the Company has adequate funds to finance the strategic capital investment program over the next three years. In addition, uncommitted Bankers Acceptances of US\$170 million were in place at year end.

Interest costs for the year of K1.4 million were lower than in 1986 (K2.9 million) and interest earned of K3.7 million was also lower (1986: K5.4 million) due to the reduction in loan balances.



Personnel:

The total number of direct Company employees at the end of 1987 was 3 724 (1986: 3 699) of whom 3 025 (1986: 2 993) or 81% were Papua New Guinea citizens.

The Bougainville Copper training programs are designed to contribute to the continuous upgrading of the Company's human resource, enabling improvement to production efficiency and the meeting of our training and localisation targets.

Training and staff development programs continued to be vigorously pursued in 1987. Administration training was upgraded following an extensive review. Twenty-one employees were sponsored to undertake full-time studies, 15 in Australia and 6 in Papua New Guinea. A further 22 employees undertook part-time higher technical courses in Papua New Guinea. Tertiary scholarships were awarded to 9 students in Papua New Guinea Tertiary Institutions.

The Professional Cadet Scholarship Scheme increased to 6 awards in 1987. Under this scheme students are selected from secondary schools to go into years 11 and 12 in Australia and then directly into Australian tertiary courses.

The growth in work attachments continued in 1987 with another 15 employees being attached to Australian companies for periods ranging from 6 weeks to 2 years.

The 1987 formal training program covered 391 employees, including 290 apprentices, 20 post-trade trainees and 13 graduate trainees. Fifty apprentices completed their indentures and received trade certificates in 1987. Additionally, 426 employees attended supervisory and management courses.

Health

BCL places considerable emphasis on a healthy workforce and encourages employees to use the facilities provided by the Company. These include an Olympic swimming pool, two fully equipped gymnasiums, aerobics facilities, tennis and squash courts and playing fields. Regular sporting events are organised and qualified staff are available to perform fitness tests.

Eleven Company apprentices competed in the New South Wales regional Work Skills Competition in February 1987 for the first time. The results were very encouraging and the Company, with the approval of the Papua New Guinea Apprenticeship Board has affiliated with the International Work Skills Organisation to enable the Company to enter 11 apprentice competitors in the 1988 International Work Skills Olympics in Sydney.

Law and order problems in the Bougainville community have continued to be much less than in most other urban areas of Papua New Guinea. This is attributed to the traditional close co-operation between the Company's employees and the police, which will be reinforced in early 1988 with the introduction of a Neighbourhood Watch scheme.

Bougainville Copper employees safety performance continues to be highly commendable and the envy of similar mining operations in Papua New Guinea and Australia. A milestone was achieved in the Concentrator Division in July when its employees recorded two million man-hours without a lost time injury — a most creditable performance.

Environmental:

Following an environmental impact study on tailings disposal, approval was obtained from the Papua New Guinea Government for a "Disposal of Tailings and Fine Overburden Agreement." This agreement incorporates the installation of a 31 kilometre tailings pipeline at a capital cost of K65 million.

Research and monitoring programs continued for the rehabilitation of the Jaba River system and Empress Augusta Bay.

Advances were made in the program of workplace environment and occupational hygiene. This program includes noise, dust, air quality and heat stress monitoring, and the education of the workforce in the acceptance of the various protective measures. Forced ventilation for dust control was installed in the primary crusher.

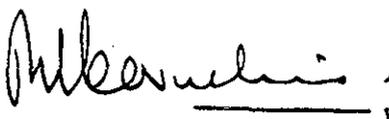
Capital expenditure:

Capital expenditure for the year totalled K30.5 million. This included major expenditure on the commencement of the tailings pipeline and on the completion of the pre-concentration screening plant.

In the K65 million tailings disposal pipeline project, tailings will be diverted into a 31 kilometre pipeline to Empress Augusta Bay. Expenditure of K7.0 million was incurred during 1987. Conversion to the new Fujitsu mainframe computer was completed during 1987 with a further K1.0 million expenditure incurred.

Several large projects were approved during the last quarter of 1987 including a 14th ball mill, replacement tertiary and secondary crushers and replacement haul trucks.

The Company remains committed to maintaining and improving its competitive cost position and its capital expenditure program is an important contributor to this objective. Capital expenditure for projects approved and in progress at the end of 1987 totalled K141 million, of which K117 million remains to be spent.



R. J. Cornelius
Managing Director
16 February, 1988

T

The Directors of Bougainville Copper Limited present their report on the audited financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December, 1987.



D. S. Carruthers



G. Billard



R. J. Cornelius



W. J. N. Davis



P. G. F. Henderson, A.C.



J. T. Ralph



W. D. Searson



D. C. Vernon

Directors:

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

D. S. Carruthers (Chairman)

Age 57 B.Sc. Joined CRA in 1955.

Extensive exploration and operational mining experience. CRA Group Executive since November 1984 and currently responsible for CRA's interests in base metals, gold, salt and engineering. Appointed Chairman of BCL July 1986.

G. Billard

Age 43 B.Ec.(Hons), B.Com., A.A.U.O., F.A.S.A. Joined CRA 1969. Nine years with BCL, including three years as Executive Manager - Commercial.

Currently Managing Director AM&S Metals Pty. Ltd.

R. J. Cornelius (Managing Director)

Age 55 B.Met.E., M.Eng.Sc. Joined CRA in 1958. Commenced BCL in 1982.

General Manager - Concentrator until appointed Managing Director in 1987.

W. J. N. Davis

Age 53 B.Met.Eng., F.R.M.T.C. Joined CRA in 1958. Commenced with BCL in 1967 and appointed Executive Manager - Concentrator in 1979. Currently Vice-President Technological Resources, CRA.

P. G. F. Henderson, A.C.

Age 59 M.A. Oxon. Joined Australian Department of Foreign Affairs 1951. Ambassador to the Philippines 1973-74. Deputy Secretary 1976-79. Secretary 1979-84. Retired Commonwealth Public Service 1985.

J. T. Ralph

Age 55 F.A.S.A., C.P.A. Thirty-eight years with CRA Group. Director of CRA since 1971; appointed Managing Director CRA 1983, and Chief Executive Officer 1987. Chairman of Comalco Limited since 1980.

W. D. Searson

Age 38 B.Sc. Secretary, PNG Department of Minerals & Energy since October 1983. Experience in mining industry. Citizen of Papua New Guinea.

D. C. Vernon

Age 59 Dipl.Chem.Eng. Commenced CRA Group 1953 and Director of CRA 1979-86. Joined BCL in 1966; appointed General Manager 1973 and Managing Director 1975. Chairman of BCL from 1979 to July 1986. Patron of Australia-PNG Business Co-operation Committee.

G. Billard, R. J. Cornelius and J. T. Ralph, retire in accordance with the Company's Articles of Association and being eligible offer themselves for re-election as Directors of the Company.

Activities:

Bougainville Copper Limited has produced copper concentrate containing gold and silver from a mine at Panguna, North Solomons Province, Papua New Guinea, since 1972. The Company has three subsidiaries. Bougainville Copper Finance N.V. (in liquidation) is incorporated in the Netherlands Antilles for fund raising purposes. BCL (Hong Kong) Limited arranges shipping contracts on behalf of the Company. BCL Services Pty. Ltd. leases an aircraft to the Company.

Net Earnings:

The net earnings of Bougainville Copper Limited and its subsidiaries for 1987 totalled K93 629 000 after providing K49 438 000 for depreciation and amortisation, K5 348 000 for royalties and K50 563 000 for income tax.

Taxation:

Taxation of K50 563 000 charged to earnings comprises K48 432 000 current tax and an increase of K2 131 000 in the provision for future tax.

Subsidiaries:

BCL Services Pty. Ltd. was incorporated in Australia during 1987. No subsidiaries were disposed of during the year. However, Bougainville Copper Finance N.V. was placed in members' voluntary liquidation on 30 November, 1987. The liquidation (from which no loss is expected) is proceeding. No dividends were paid by Bougainville Copper Finance N.V. (in liquidation), BCL (Hong Kong) Limited or BCL Services Pty. Ltd.

Share Capital:

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

Exchange Fluctuations:

The opening balance of exchange losses, deferred from previous years, of K3 170 000 has been charged against retained earnings.

Exchange gains of K2 266 000 were recorded on overseas borrowings; K4 352 000 on management of foreign currency exposures; and K777 000 on payment of dividends overseas. In addition, exchange losses of K1 647 000 resulted from the translation of overseas bank balances. These gains and losses have been included in 1987 earnings.

Long Term Loans:

Drawdowns of K69 337 000 were made during the year against long term loan arrangements. Repayments of K93 037 000 were made against existing loans, leaving a balance outstanding at the end of the year of K2 874 000. These repayments included clearing the debt drawn under the Multiple Option Facility. (The full facility remains available for subsequent drawdown if needed.)

Dividends:

An interim dividend of four toea per share was paid in November. A final dividend of 19 toea per share has been declared and is payable on 5 May, 1988 to those shareholders registered at 5pm on 21 April, 1988. Withholding tax is deducted from dividends where required by the Chief Collector of Taxes.

Review of Operations:

A review of the operations of the Company during the financial year and the results of those operations are set out in the section entitled "Review of Operations", in this Annual Report (Pages 9 to 13).

Auditors:

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

Statutory Information:

In accordance with the provisions of Section 171 of the Companies Act (Chapter 146), 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 the value is an amount that these current assets might reasonably be expected to realise in the ordinary course of business.
3. No circumstances have arisen which render adherence to the method of valuation of assets or liabilities misleading or inappropriate.
4. No contingent liabilities have arisen since the balance date of the Group accounts, 31 December, 1987, and the date of this report, 16 February, 1988.

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. Except as reported in this Annual Report, there were no significant changes in the state of affairs of the Group that occurred during the financial year.

2. Save as contained in the Report, and as set out in the notes to the accounts, the results of the operations of the Group or of a corporation in the Group during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

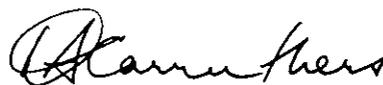
3. Save as reported in this Annual Report, there were no matters or circumstances which have arisen since the end of the financial year and which significantly affected or may significantly affect:

- (i) the operations of the Group
- (ii) the results of those operations or
- (iii) the state of affairs of the Group in the financial year subsequent to 31 December, 1987.

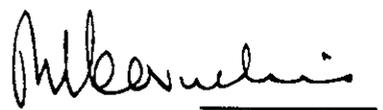
4. The Directors do not have an interest in any contract or proposed contract with the Company, are not parties to any material contract involving Directors' interests, and are not in receipt of any loans or benefits other than the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts and the amount of fixed salary derived from the Company or from a related corporation.

5. No options over shares of the Company or its subsidiaries have been granted by the Company or its subsidiaries during the financial year or since the end thereof; no shares of the Company or its subsidiaries were issued during the financial year or have been issued since the end thereof by virtue of the exercise of any option granted by the Company or its subsidiaries; and no options over shares of the Company or its subsidiaries are outstanding at the date of this Report.

Signed this 16th day of February, 1988 in accordance with a resolution of the Directors of Bougainville Copper Limited.



D. S. Carruthers
Chairman



R. J. Cornelius
Managing Director

Statement of Value Added

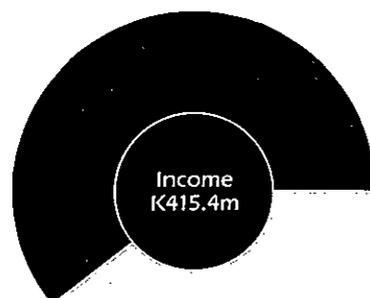
	1987 K mill.	1986 K mill.
Value added		
Sales made to external customers	411.7	337.3
Other income	3.7	5.4
Total income	415.4	342.7
Less: Materials and services brought in from outside the Company	164.8	163.2
Total Value Added available for distribution	250.6	179.5
Distribution		
Wages, salaries and benefits to EMPLOYEES	53.5	51.0
Taxation and royalties to GOVERNMENT	55.9	33.0
To PROVIDERS OF CAPITAL		
Dividends to shareholders	92.2	44.1
Interest to lenders	1.4	2.9
RETAINED in business to provide for asset replacement, expansion and protection of the Company and its employees in less favourable times.		
Depreciation and amortisation	49.4	47.3
Retained earnings	(1.8)	1.2
Total Value Added distributed	250.6	179.5

A country's economy is largely made up of the activities of employers and employees. The contribution they make to that economy is known as the Value Added.

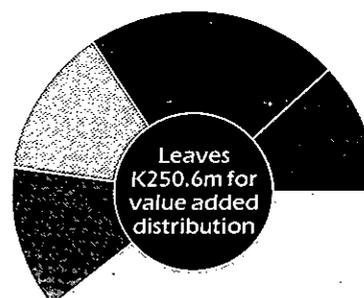
The conventional earnings statement does not reflect the contribution that Bougainville Copper makes to Papua New Guinea's economy. This contribution to the country's Gross Domestic Product is represented by the sales generated during the year less the cost of goods and services brought in from outside the Company.

The following statement shows the contribution made by the Company and its employees during the last two years. The total Value Added was distributed to employees, government, shareholders and lenders of capital, with part being retained for future use within the Company.

Distribution of Value Added



Less materials and services of K164.8m.



⊙ Employees K53.5m.

⊙ Government K55.9m.

● Providers of capital K93.6m.

● Retained in business K47.6m.

Funds Statements

year ended 31 December, 1987
Bougainville Copper Limited

	Consolidated		Bougainville Copper Limited	
	1987 K'000	1986 K'000	1987 K'000	1986 K'000
Sources of Funds				
From operations				
Earnings before tax	144 192	74 030	144 184	74 009
Add items not using funds				
Depreciation and amortisation	49 438	47 345	49 326	47 345
Loss on disposal of non-current assets	1 989	4 240	1 989	4 240
Other items not using funds	(317)	3 072	(317)	3 072
	195 302	128 687	195 182	128 666
Proceeds from loan drawdowns	69 337	13 944	69 337	13 944
Proceeds on disposal of non-current assets	1 312	806	1 312	806
Total sources of funds:	265 951	143 437	265 831	143 416

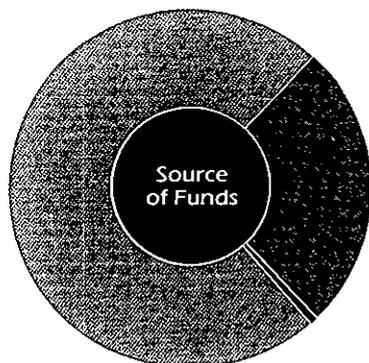
Applications of Funds

Distribution to shareholders				
Dividend payment	44 117	36 095	44 117	36 095
Retiring debt				
Loan repayments	93 037	20 635	93 037	20 635
Acquiring non-current assets				
Property, plant and equipment	30 486	43 953	28 797	43 953
Income tax payment	31 065	18 870	31 054	18 870
Long service leave payments	985	816	985	816
Investments	—	600	1 236	600
Total applications of funds:	199 690	120 969	199 226	120 969
Increase in working capital for the year	66 261	22 468	66 605	22 447

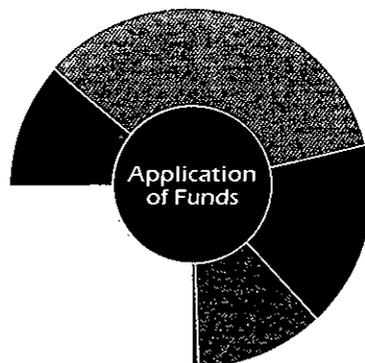
Movements in working capital

Bank balances and short term deposits	27 606	29 809	27 587	30 040
Debtors for sale of concentrate	27 295	5 274	27 295	5 274
Other debtors	3 580	1 893	3 933	1 888
Stocks and stores	11 778	(7 329)	11 778	(7 329)
Creditors	(3 998)	(7 179)	(3 988)	(7 426)
Increase in working capital for the year	66 261	22 468	66 605	22 447

Simplified Funds Statement



- From operations K195.3m.
- Loan drawdowns K69.3m.
- Disposal of non-current assets K1.3m.



- Acquiring non-current assets K30.5m.
- Retiring debt K93.0m.
- Distribution to shareholders K44.1m.
- Income tax paid K31.0m.
- Long service leave K1.0m.
- Increase in working capital K66.3m.

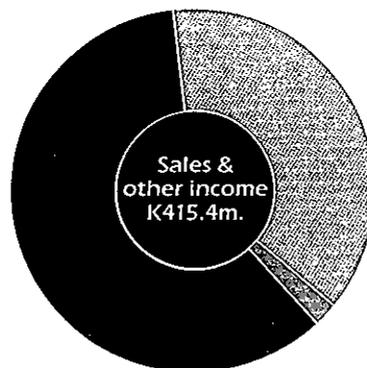
Statements of Earnings

year ended 31 December, 1987
Bougainville Copper Limited

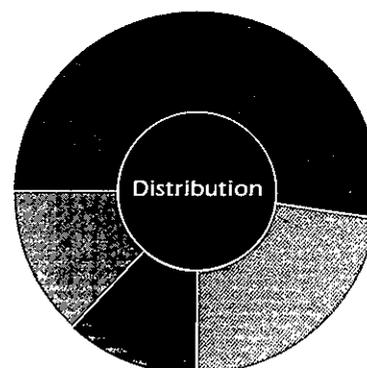
	Notes	Consolidated		Bougainville Copper Limited	
		1987 K'000	1986 K'000	1987 K'000	1986 K'000
Income					
Net sales revenue		411 710	337 254	411 710	337 254
Other income (net)		3 668	5 442	3 666	5 440
		415 378	342 696	415 376	342 694
Costs and expenses					
Costs of sales, general and administration expenses		220 722	216 411	220 840	216 430
Depreciation and amortisation		49 438	47 345	49 326	47 345
Government royalties		5 348	4 328	5 348	4 328
Interest		1 426	2 918	1 426	2 918
		276 934	271 002	276 940	271 021
Net exchange gains	5	5 748	2 336	5 748	2 336
Earnings before taxation	2	144 192	74 030	144 184	74 009
Income tax	3	50 563	28 716	50 551	28 716
Net earnings for year		93 629	45 314	93 633	45 293
Add:					
Retained earnings brought forward		155 401	154 204	155 387	154 211
Less:					
Exchange fluctuation prior years	5	3 170	—	3 170	—
Retained earnings brought forward (adjusted)		152 231	154 204	152 217	154 211
Less:					
Ordinary dividends					
Interim paid		16 043	16 043	16 043	16 043
Final payable		76 202	28 074	76 202	28 074
		92 245	44 117	92 245	44 117
Retained earnings carried forward		153 615	155 401	153 605	155 387
Net earnings per share (toea)		23.3	11.3	23.3	11.3

All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes commencing on page 20 form part of these accounts and are to be read in conjunction with them.

Simplified Earnings Statement



- Copper
- ◐ Gold
- Silver & other



- ◐ Depreciation and amortisation K49.4m.
- ◐ Taxation & royalties K55.9m.
- Cost of sales & other expenses K216.5m.
- ◐ Net earnings K93.6m.

Balance Sheets

at 31 December, 1987
Bougainville Copper Limited

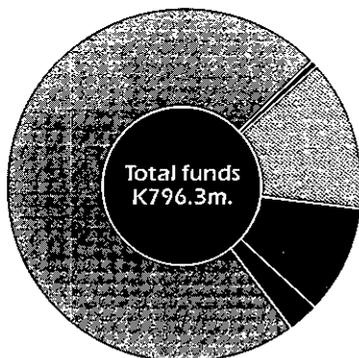
	Notes	Consolidated		Bougainville Copper Limited	
		1987 K'000	1986 K'000	1987 K'000	1986 K'000
Funds employed by the group:					
Shareholders' funds					
Paid up capital	4	401 063	401 063	401 063	401 063
Asset revaluation reserve		31 276	31 276	31 276	31 276
Retained earnings		153 615	155 401	153 605	155 387
		585 954	587 740	585 944	587 726
Exchange fluctuation	5	251	(3 170)	251	(3 170)
Non-current liabilities					
Deferred income tax liability	3	23 276	22 021	23 276	22 021
Loans	6	1 437	27 268	1 437	27 268
Provision for long service leave		7 758	7 045	7 758	7 045
		32 471	56 334	32 471	56 334
Current liabilities					
Loans	6	1 437	1 573	1 437	1 573
Creditors	7	51 782	47 784	51 763	47 775
Income tax		48 245	30 878	48 245	30 878
Dividends payable		76 202	28 074	76 202	28 074
		177 666	108 309	177 647	108 300
Total funds		796 342	749 213	796 313	749 190
These funds are represented by:					
Non-current assets					
Future income tax benefit	3	7 423	8 299	7 423	8 299
Investments	8	756	756	2 001	765
Property, plant and equipment	9	527 827	550 081	526 251	550 081
		536 006	559 136	535 675	559 145
Current assets					
Bank balances and short term deposits		78 521	50 915	78 486	50 899
Debtors for sale of concentrate		112 275	84 980	112 275	84 980
Other debtors	10	10 910	7 330	11 247	7 314
Stocks and stores	11	58 630	46 852	58 630	46 852
		260 336	190 077	260 638	190 045
Total assets		796 342	749 213	796 313	749 190

Details of commitments and contingent liabilities are shown in notes 13 and 14.

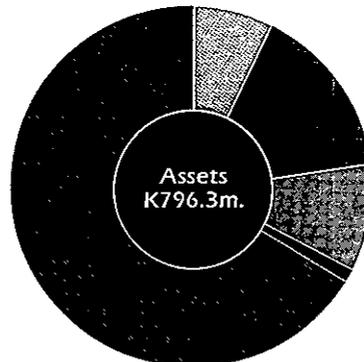
All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted.

The notes commencing on page 20 form part of these accounts and are to be read in conjunction with them.

Simplified Balance Sheet



- ☉ Shareholders' funds K585.9m.
- Borrowings & exchange fluctuation K3.1m.
- ☉ Creditors & current income tax K107.8m.
- ☉ Dividends payable K76.2m.
- Income tax deferred K23.3m.



- Property, plant & equipment K527.8m.
- ☉ Stocks & stores K58.6m.
- ☉ Amount owed by debtors K124.0m.
- ☉ Cash at bank K78.5m.
- Income tax benefits not yet realised K7.4m.

Notes to the Accounts

These notes form part of the 1987 accounts and consolidated accounts of Bougainville Copper Limited and should be read in conjunction with them.

1. Statement of significant accounting policies

The principal accounting policies adopted in the preparation of the Group accounts are stated to assist in a general understanding of the financial statements.

The policies generally comply with Australian Accounting Standards and conform in all material respects with International Accounting Standards which have been adopted in Papua New Guinea. They are consistent with those adopted in the previous year unless otherwise stated.

Cost Convention:

The results of operations and 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:

Depreciation and amortisation are determined by dividing the written down value of assets by their remaining useful life or the estimated remaining life of the mine whichever is the lesser. Depreciation commences in the month following commissioning ready for use.

Exploration, Research and Development Expenditure:

Expenditure on exploration within the mining lease and on research and development is normally written off or provided for as incurred. Exploration has not been undertaken outside the mining lease.

Repairs and Maintenance:

Expenditure on repairs and maintenance is charged against income as incurred.

Valuation of Stocks and Stores:

Concentrate stocks are valued at the lower of direct production cost or net realisable value. Cost includes direct materials, services and overheads, but excludes depreciation and indirect overheads. Stores are valued at weighted average cost, excluding transportation costs, less an allowance for inventory writedown.

Net Sales Revenue:

Sales are recognised when the risk passes from the seller which is at the time when the concentrate enters the ship's hold. The final sales value can only be determined from weights, assays, prices, exchange rates and treatment charges applying after a shipment has arrived at its destination. Estimates based on world metal prices ruling up to year end are used for those shipments not due for final valuation until the following year. In addition, the estimated results of forward contracts existing at year end in relation to concentrates shipped are reflected in sales revenue. Variations in revenue arising from final pricing and output adjustments are recognised in the following year. Unrealised gains and losses on forward metal sales, not related to shipments, are included in earnings before tax.

Taxation:

Tax effect accounting procedures are followed. The current liability for income tax is based on estimated taxable income for the year. The components of this taxable income differ from those which make up the earnings before tax for the year and these differences are either permanent differences or timing differences. Permanent differences are disclosed in Note 3.

Timing differences arise because some items of revenue and expenditure are recognised for tax purposes during periods which differ from the periods in which they are included in earnings before tax. The tax effect of these timing differences is classified as either deferred income tax liability or future income tax benefit in the balance sheets.

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 rates 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.

In previous years, net unrealised exchange gains and losses arising on foreign currency borrowings were recorded as deferred income or deferred expense and recorded in an exchange fluctuation account. These deferred items were amortised to the profit and loss account over the period during which the borrowings were expected to be outstanding. The balance of the exchange fluctuation account at 31 December, 1986 has been transferred to retained earnings on 1 January, 1987. The change in accounting method resulted in an increase of K3.17 million in operating profit for the year. Had the revised method been in use prior to 1987, operating profit for 1986 would have been K2.72 million higher.

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.

Subsidiaries:

The Company has three wholly owned subsidiaries. Bougainville Copper Finance N.V. (in liquidation) was incorporated in the Netherlands Antilles for fund raising purposes. This subsidiary was placed in members' voluntary liquidation on 30 November, 1987. The liquidation, from which no loss is expected, is proceeding. BCL (Hong Kong) Limited, incorporated in Hong Kong, arranges shipping contracts on behalf of the Company. BCL Services Pty Ltd was incorporated in Australia during 1987 and leases an aircraft to the Company. These companies have been consolidated in accordance with conventional consolidation principles.

	Consolidated		Bougainville Copper Limited	
	1987	1986	1987	1986
	K'000	K'000	K'000	K'000

2. Earnings before taxation

Earnings before taxation have been determined after allowing for the following income and expense items:

Income:				
Interest on short term deposits	3 668	5 442	3 666	5 440
Expenses:				
Interest – on long term loans and standby facilities	1 419	2 844	1 419	2 844
– other	7	74	7	74
Provision for doubtful debts in respect of other debtors	(31)	3	(31)	3
Bad debts in respect of other debtors	26	8	26	8
Depreciation – on buildings	20 548	19 515	20 548	19 515
– on plant, machinery and equipment	27 120	25 965	27 008	25 965
Amortisation – of mine property	1 770	1 770	1 770	1 770
– of borrowing expenses	–	95	–	95
Loss on disposal and retirement of fixed assets	1 989	4 240	1 989	4 240
Research and development expenditure	1 033	1 107	1 033	1 107
Directors' emoluments (Note 12)	15	12	15	12
Auditors' remuneration – auditing the accounts	98	85	96	84
– other services	21	6	21	6
(The auditors have received no other benefits)				

3. Taxation

(a) Taxation on earnings for the year comprises:

Current	49 228	29 638	49 216	29 638
Future	1 965	(1 094)	1 965	(1 094)
	51 193	28 544	51 181	28 544
Adjustments relating to previous years:				
Current	(796)	843	(796)	843
Future	166	(671)	166	(671)
	50 563	28 716	50 551	28 716

(b) The following reconciliation discloses the items which caused the charge for income tax in the statements of earnings to vary from the income tax prima facie payable on reported earnings:

Income tax prima facie payable	50 468	25 903	50 465	25 903
Permanent differences				
– double deduction allowable	(1 157)	(1 187)	(1 157)	(1 187)
– non-allowable depreciation	2 632	3 404	2 632	3 404
– net losses not deductible	(793)	539	(793)	539
– other	43	(115)	34	(115)
Adjustments relating to previous years	(630)	172	(630)	172
	50 563	28 716	50 551	28 716

(c)

Deferred income tax liability:

Balance 1 January	22 021	24 452	22 021	24 452
Charged to earnings: current year	1 170	(1 270)	1 170	(1 270)
– prior year adjustments	85	(1 161)	85	(1 161)
Balance 31 December	23 276	22 021	23 276	22 021

(d)

Future income tax benefit:

Balance 1 January	8 299	8 965	8 299	8 965
Credited to earnings: current year	(795)	(176)	(795)	(176)
– prior year adjustments	(81)	(490)	(81)	(490)
Balance 31 December	7 423	8 299	7 423	8 299

The foregoing future income tax benefits will only be obtained when and if the Company earns future assessable income sufficient to enable these benefits to be realised.

	Consolidated		Bougainville Copper Limited	
	1987	1986	1987	1986
	K'000	K'000	K'000	K'000

4. Capital

The authorised capital of K425 000 000 consists of 425 000 000 ordinary shares of one kina each.

The issued capital of the Company is 401 062 500 ordinary shares of one kina each, fully paid.

No change in authorised or issued capital occurred during 1987.

5. Exchange fluctuation

(a) The movements in exchange fluctuation accounts relating to overseas loan obligations were:

Balance of unrealised losses 1 January	(3 170)	(5 890)	(3 170)	(5 890)
Transfer to retained earnings	3 170	—	3 170	—
Increase due to currency movements during the year	2 266	1 006	2 266	1 006
Net amount debited/(credited) to earnings	(2 266)	1 714	(2 266)	1 714
Balance of unrealised (losses) — loans	—	(3 170)	—	(3 170)
(b) Deferred gain on hedges of specific commitments	251	—	251	—
Balance of unrealised gains/(losses) — December 31	251	(3 170)	251	(3 170)

(c) The net exchange gain reflected in earnings arose from:

Overseas borrowings	2 266	(1 714)	2 266	(1 714)
Overseas cash balances	(1 647)	1 377	(1 647)	1 377
Foreign currency hedging	4 352	2 704	4 352	2 704
Dividend payments	777	(31)	777	(31)
Net exchange gain	5 748	2 336	5 748	2 336

6. Long term loans

(a) Total long term loans are repayable as follows:

Within one year	1 437	1 573	1 437	1 573
Later than one year	1 437	27 268	1 437	27 268
Total outstanding obligations	2 874	28 841	2 874	28 841

All loans are unsecured.

(b) The following are the individual loans which make up the total outstanding loan obligations:

	Interest Rate 1987	Terminating/ Repayable				
Bank loans						
Multiple Option Facility — Consortium of 14 banks (US dollars)	6.63%	1993	—	24 122	—	24 122
Other loans						
John Brown Engineering (US dollars)	7.75%	1987-89	2 874	4 719	2 874	4 719
Total outstanding obligations			2 874	28 841	2 874	28 841

7. Creditors

Trade creditors	35 897	28 429	35 897	28 429
Other creditors	14 177	17 371	14 155	17 359
Related corporations:				
Subsidiary companies	—	—	3	3
Other	1 708	1 984	1 708	1 984
Total	51 782	47 784	51 763	47 775

	Consolidated		Bougainville Copper Limited	
	1987 K'000	1986 K'000	1987 K'000	1986 K'000
8. Investments				
Advances to subsidiary companies	–	–	1 236	–
Unquoted shares at cost in:				
Subsidiary companies	–	–	9	9
Other companies	756	756	756	756
Total	756	756	2 001	765

9. Property, plant and equipment

(a) Mine development and buildings				
– at directors' 1980 valuation	293 628	290 504	293 628	290 504
Less accumulated depreciation	122 224	105 712	122 224	105 712
	171 404	184 792	171 404	184 792
– at cost	96 344	79 976	96 344	79 976
Less accumulated depreciation	22 706	16 542	22 706	16 542
	73 638	63 434	73 638	63 434
Net mine development and buildings	245 042	248 226	245 042	248 226
(b) Plant, machinery & equipment				
– at directors' 1980 valuation	248 068	255 505	248 068	255 505
Less accumulated depreciation	123 910	116 172	123 910	116 172
	124 158	139 333	124 158	139 333
– at cost	179 207	150 599	177 519	150 599
Less accumulated depreciation	54 567	44 909	54 455	44 909
	124 640	105 690	123 064	105 690
Net plant, machinery & equipment	248 798	245 023	247 222	245 023
(c) Mine property				
– at cost	62 121	62 121	62 121	62 121
Less accumulated amortisation	40 893	39 123	40 893	39 123
Net mine property	21 228	22 998	21 228	22 998
(d) Capitalised borrowing expenses				
– at cost	–	782	–	782
Less accumulated amortisation	–	742	–	742
Net capitalised borrowing expenses	–	40	–	40
(e) Capitalised works in progress				
– at cost	12 759	33 794	12 759	33 794
Total property, plant & equipment – at cost or valuation	892 127	873 281	890 439	873 281
Less accumulated depreciation/amortisation	364 300	323 200	364 188	323 200
Net book value	527 827	550 081	526 251	550 081

10. Other debtors

Other debtors and payments in advance	10 910	7 360	10 909	7 344
Provision for doubtful debts	(1)	(32)	(1)	(32)
Related corporations				
Subsidiary companies	–	–	338	–
Other	1	2	1	2
Total	10 910	7 330	11 247	7 314

11. Stocks and stores

Unshipped concentrate	15 428	9 041	15 428	9 041
Stores	44 702	39 311	44 702	39 311
Provision for stores obsolescence	(1 500)	(1 500)	(1 500)	(1 500)
Total	58 630	46 852	58 630	46 852

	1987		1986	
	Company K'000	Related Corporations K'000	Company K'000	Related Corporations K'000
12. Directors' emoluments				
The total of the emoluments received, or due and receivable (whether from the Company or from related corporations) by:				
(a) Directors of the Company engaged in the 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	—	—	—	—
(b) other Directors of the Company, was	15	—	12	5
No commissions for subscribing for, or agreeing to procure subscriptions for any shares in or debentures of the Company or any related corporations, were received or are due and receivable by any Director.				

13. Commitments

The commitments for capital expenditure not reflected in the financial statements total approximately K5 457 000 (1986: K9 963 000). Commitments since balance date total approximately K26 million.

Operating lease commitments not reflected in the financial statements total approximately K3 126 000 (1986: K3 391 000).

14. Contingent liabilities

Bougainville Copper Limited is contractually obliged to reimburse Shell Papua New Guinea Pty Limited for any retail sales tax payable by Shell on petroleum products sold to the Company. A claim for retail sales tax amounting to approximately K4 663 000 has been lodged by the North Solomons Provincial Government. However, the validity of the tax is being disputed by both Shell Papua New Guinea Pty Limited and the Company.

15. Mining tenements

The Company holds 100% interest in leases: 1, B9, B6, B8, B7, B10, B3; and prospecting authorities: 1, 2, 3, 4, 5, 6, 7A and 7B on Bougainville Island.

16. Holding company

The holding company is CRA Limited (incorporated in Australia).

Declarations**Statement by Directors**

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

Signed at Panguna this 16th day of February, 1988.

On behalf of the Board
D. S. CARRUTHERS
Chairman.
R. J. CORNELIUS
Managing Director.

Declaration by Secretary

I, Geoffrey William Ewing, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that the accompanying balance sheets, statements of earnings and funds statements of the Company and its subsidiaries 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 (Chapter 317), conscientiously believing the statements contained herein to be true in every particular.

Declared at Panguna this 16th day of February, 1988.

G. W. EWING
Secretary.
Before me:
M. S. LELA
Commissioner for Oaths.

Auditors' Report to the Members

We have audited the balance sheets, statements of earnings and the funds statements (the accounts) set out on pages 17 to 24 in accordance with generally accepted auditing standards.

In our opinion:

(a) the accounts are properly drawn up in accordance with the Companies Act (Chapter 146), and so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December, 1987, and are in accordance with generally accepted accounting standards;

(b) the accounting and other records, including registers, examined by us have been properly kept in accordance with the Act.

COOPERS & LYBRAND
by B. J. Davies

Registered under the Accountants Registration Act (Chapter 89),
Panguna, on 16th day of February, 1988.

Corporate Information

Twenty largest shareholders

The twenty largest shareholders at 16 February, 1988 and the number of shares held by each were:

Name & Registered Address	Shares
CRA Limited, Melbourne, Vic.	210 788 514
The Independent State of Papua New Guinea	76 430 809
ANZ Nominees Limited, Melbourne, Vic.	18 426 434
Indosuez Nominees Pty. Ltd., Melbourne, Vic.	11 941 662
National Nominees Limited, Melbourne, Vic.	11 317 354
Bank of New South Wales Nominees Pty. Ltd., Sydney, N.S.W.	6 703 325
Australian Mutual Provident Society, Sydney, N.S.W.	4 948 725
CRA Base Metals Pty. Limited, Melbourne, Vic.	4 099 452
Bougainville Copper Foundation, Panguna, P.N.G.	3 600 000
ISIT Nominees Pty. Ltd., Melbourne, Vic.	3 029 443
The Colonial Mutual Life Assurance Society Limited, Melbourne, Vic.	3 020 645
ISMG Nominees Pty. Ltd., Melbourne, Vic.	1 911 654
State Superannuation Board, Sydney, N.S.W.	1 706 200
The National Mutual Life Assoc., Melbourne, Vic.	1 568 787
MLC Life Limited, North Sydney, N.S.W.	1 419 100
Suncorp Insurance & Finance, Brisbane, Qld.	1 347 958
The New Zealand Insurance Co. Ltd., Sydney, N.S.W.	1 279 000
BNP Nominees (Aust) Pty. Ltd., Sydney, N.S.W.	1 209 050
Elfic Nominees Limited, Melbourne, Vic.	1 075 320
The Prudential Assurance Co. Ltd., Sydney, N.S.W.	1 012 640
	<u>366 836 072</u>

Distribution of shares

As at 16 February, 1988:

The issued shares of the Company were 401 062 500 fully paid one kina shares, each carrying one voting right. The number of shareholders was 22 650.

The distribution of holdings of the issued shares was:

1- 1 000 shares	18 288
1 001- 5 000 shares	3 594
5 001-10 000 shares	447
10 001 shares and over	321
Total shareholders	<u>22 650</u>

91.5% of the total issued shares were held by the 20 largest shareholders.

The substantial shareholders were: CRA Limited and its wholly-owned subsidiary CRA Base Metals Pty. Limited — 214 887 966 shares (53.6%); The Rio Tinto-Zinc Corporation PLC has an interest in the same shares through its wholly-owned subsidiaries (R.T.Z. Australian Holdings Pty. Limited and Tinto Holdings Pty. Limited), interests in CRA Limited and CRA Base Metals Pty. Limited; The Independent State of Papua New Guinea — 76 430 809 shares (19.1%).

Directors' interests

Directors' interests in the share capital of the Company and its related companies as at 16 February, 1988 were:

D. S. Carruthers	2 282 CRA shares 50 000 CRA (A) shares 800 CRA (B) shares
G. Billard	150 BCL shares 30 000 CRA (A) shares 800 CRA (B) shares
R. J. Cornelius	402 BCL shares 2 088 CRA shares 20 000 CRA (A) shares 800 CRA (B) shares 194 Comalco shares
W. J. N. Davis	20 000 CRA (A) shares 800 CRA (B) shares
P. G. F. Henderson, A.C.	No interests
J. T. Ralph	171 BCL shares 777 CRA shares 100 000 CRA (A) shares 800 CRA (B) shares
W. D. Searson	3 500 BCL shares
D. C. Vernon	No interests

Abbreviations:

BCL — Bougainville Copper Limited
CRA — CRA Limited

CRA (A) — Options to acquire CRA shares allocated pursuant to the Senior Executive Share Plan 1987

CRA (B) — Options to acquire CRA shares allocated pursuant to the CRA Group Employee Participation Scheme 1987

Comalco — Comalco Limited

Bougainville Copper Limited

(Incorporated in Papua New Guinea)

Registered Office:

Panguna, Province of North Solomons,
Papua New Guinea.

Principal Registered Office in Australia:

Level 27, 55 Collins Street,
Melbourne, Vic. 3000.

Share Registers:

Victoria: c/o Touche Ross Services
Pty. Limited,
Level 38, 525 Collins Street,
Melbourne, Vic. 3000.
Telephone (03)618 0618.

Postal Address:

G.P.O. Box 2975EE,
Melbourne, Vic. 3001.

A.C.T.: c/o Coopers & Lybrand,
Level 4, 24 Marcus Clarke Street,
Canberra City.

P.N.G.: Panguna, Province of North
Solomons.

United Kingdom: c/o Central Registration
Limited, 1 Redcliff Street, Bristol,
BS1 6NT.

Stock Exchanges:

Listed on the Australian Stock Exchange
and the New Zealand Stock Exchange.

Auditors:

Coopers & Lybrand.

Bankers:

Bank of America NT & SA.
Commonwealth Bank of Australia.
Papua New Guinea Banking
Corporation.

Solicitors:

Arthur Robinson & Hedderwicks.
Gadens.

Statistical Summary

	1987	1986	1985	1984	1983	1982
Financial						
Earnings (K million)						
Net sales revenue and other income	415.4	342.7	317.6	310.9	392.9	283.2
Operating and other expenses	227.5	223.7	221.5	234.8	228.1	207.2
Depreciation	49.4	47.3	47.6	46.5	47.0	44.2
Earnings before taxation and exchange gains	138.5	71.7	48.5	29.6	117.8	31.8
Exchange gains/(losses)	5.7	2.3	(1.4)	(2.8)	(16.3)	(3.3)
Earnings before taxation	144.2	74.0	47.1	26.8	101.5	28.5
Taxation	50.6	28.7	19.0	15.2	46.9	17.3
Net earnings	93.6	45.3	28.1	11.6	54.6	11.2
Dividends	92.2	44.1	28.1	16.0	52.1	10.0
Earnings retained	(1.8)	1.2	—	(4.4)	2.5	1.2
Balance sheet (K million)						
Property, plant and equipment	527.8	550.1	558.5	576.2	594.9	622.8
Investments	0.7	0.7	0.2	0.2	0.3	0.1
Current assets	260.3	190.1	160.4	152.9	185.3	155.9
Total assets	788.8	740.9	719.1	729.3	780.5	778.8
Shareholders' funds	586.0	587.7	586.5	586.5	590.9	588.4
Exchange fluctuation	.3	(3.2)	(5.9)	(5.3)	(4.7)	1.5
Long term liabilities	24.8	48.1	52.4	52.5	51.6	125.6
Current liabilities	177.7	108.3	86.1	95.6	142.7	70.2
Funds employed	788.8	740.9	719.1	729.3	780.5	778.8
Production/Sales						
Mined						
Ore and waste removed (millions of tonnes)	83.53	79.16	73.62	74.74	81.00	76.22
Ore milled (millions of tonnes)	48.20	47.89	50.07	46.52	47.73	41.74
Ore grade						
Copper (per cent)	0.41	0.42	0.42	0.42	0.46	0.47
Gold (grams/tonne)	0.43	0.48	0.42	0.48	0.55	0.60
Produced						
Concentrate (thousands of dry tonnes)	585.5	586.6	581.8	542.3	636.9	598.6
Contained copper (thousands of dry tonnes)	178.2	178.6	175.0	164.4	183.2	170.0
Concentrate grade						
Copper (per cent)	30.4	30.5	30.1	30.3	28.8	28.4
Gold (grams/tonne)	25.8	27.9	24.7	28.9	28.3	29.3
Silver (grams/tonne)	86.4	85.9	79.3	81.9	74.4	72.1
Shipped						
Total concentrate (thousands of dry tonnes)	567.6	589.4	560.0	550.8	636.1	599.6
Destination:						
Japan (per cent)	32.6	43.2	44.1	51.9	47.0	46.6
Other Asian (per cent)	33.5	15.4	15.7	12.3	11.0	6.6
Europe (per cent)	33.9	41.4	40.2	35.8	42.0	45.1
All Other (per cent)	0.0	0.0	0.0	0.0	0.0	1.7
Values						
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	489.4	417.9	381.3	373.4	454.6	343.6
Contribution by:						
Copper (per cent)	60	54	61	53	52	51
Gold (per cent)	38	44	37	45	46	47
Other						
US\$/Kina exchange rate	1.11	1.03	1.00	1.11	1.20	1.36
Average metal prices						
LME copper (US\$/lb)	81.0	62.3	64.3	62.4	71.9	67.1
London gold market (US\$/oz)	446.7	367.9	317.3	360.8	423.5	375.6
Return on shareholders' funds (per cent)	16.0	7.7	4.8	2.0	9.3	1.9
Earnings per share*** (toea)	23.3	11.3	7.0	2.9	13.6	2.8
Dividends per fully paid share*** (par value K1.00) (1987 interim 4t/share) (toea)	23.0	11.0	7.0	4.0	13.0	2.5
Number of shares issued at end of year (millions)	401	401	401	401	401	401
Number of shareholders at end of year	22 650	24 680	27 117	30 435	32 834	36 486
Debt/equity ratio	.004/1	0.05/1	0.06/1	0.09/1	0.10/1	0.20/1
Work force at end of year (in PNG)						
Overseas	699	706	704	749	751	756
National	3 025	2 993	2 948	2 087	3 058	3 174

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 the dividend figures for those years.

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

** 1972 figure is for Bougainville Mining Limited

*** 1972 to 1979 figures are after adjustment for the 1980 capital reconstruction

1981	1980	1979	1978	1977	1976	1975	1974	1973	1972*
296.4	338.7	343.1	225.1	205.3	208.9	193.1	292.6	252.4	95.9
210.8	174.8	144.1	125.0	126.8	117.5	107.2	92.5	81.8	53.3
43.3	43.8	40.7	40.4	36.2	31.1	29.6	28.5	24.8	14.5
42.3	120.1	158.3	59.7	42.3	60.3	56.3	171.6	145.8	28.1
1.1	2.6	3.5	10.3	(0.1)	1.3	2.3	9.5	12.9	(0.4)
43.4	122.7	161.8	70.0	42.2	61.6	58.6	181.1	158.7	27.7
20.6	51.2	77.9	22.0	13.7	20.3	12.4	66.5	0.3	-
22.8	71.5	83.9	48.0	28.5	41.3	46.2	114.6	158.4	27.7
20.1	64.2	80.2	40.1	21.4	26.7	26.7	73.5	81.4	11.0
2.7	7.3	3.7	7.9	7.1	14.6	19.5	41.1	77.0	16.7
611.2	610.8	325.4	340.1	352.2	350.4	346.0	352.2	371.7	378.7
0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
148.7	148.4	201.0	125.8	137.1	136.0	129.5	205.6	130.4	73.9
760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
587.2	584.5	294.5	317.5	309.7	302.5	287.9	268.4	227.4	146.7
1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1	39.5	24.2
80.1	25.7	36.2	42.1	53.3	101.7	106.8	121.1	127.5	204.0
91.2	144.0	190.4	97.4	111.8	73.3	69.4	149.3	107.8	77.7
760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00	56.65	46.75
37.53	37.62	36.17	38.12	34.11	31.21	31.08	30.14	29.14	21.89
0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70	0.73	0.76
0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02	1.03	0.77
576.4	510.4	584.7	658.6	615.6	596.8	596.0	640.8	650.2	438.1
165.4	146.8	170.8	198.6	182.3	176.5	172.5	184.1	182.9	124.0
28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7	28.1	28.3
29.2	27.5	33.7	35.5	36.3	33.9	30.5	32.0	31.6	27.3
73.5	72.2	76.3	79.8	77.0	76.1	71.0	72.3	69.0	69.3
596.2	494.4	586.5	640.9	614.8	605.8	587.0	665.8	625.2	434.4
49.8	54.5	56.0	51.0	54.8	42.3	42.7	51.5	54.8	48.1
3.3	4.1	3.7	3.2	1.6	1.7	1.7	0.0	0.0	0.0
45.4	41.4	40.3	42.0	39.9	46.5	53.8	61.9	37.8	49.4
1.5	0.0	0.0	3.9	3.6	9.5	1.8	6.6	7.4	2.5
355.2	386.3	407.0	294.5	266.3	260.3	219.4	307.4	270.8	118.8
54	51	60	64	66	74	69	74	83	83
44	46	37	34	32	24	29	25	16	16
1.49	1.50	1.41	1.40	1.27	1.27	1.30	1.00	1.00	1.00
79.0	99.2	89.8	61.9	59.3	63.6	55.9	93.3	80.9	48.6
459.9	614.7	304.7	193.5	147.8	124.8	160.9	158.7	97.3	58.2
3.9	16.3	27.4	15.3	9.3	14.0	16.6	46.2	84.1	18.9
5.7	17.8	20.9	12.0	7.1	10.3	11.5	28.6	39.5	6.9
5.0	20.0	26.7	10.0	5.3	6.7	6.7	18.3	20.0	2.7
401	401	267	267	267	267	267	267	267	260**
38 027	38 326	38 750	40 935	43 820	50 082	54 129	55 558	45 353	46 726
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
801	877	851	855	853	858	942	980	929	971
3 377	3 416	3 314	3 243	3 063	2 989	3 094	3 242	2 915	2 594

Bougainville Copper – Committed to Developing Its People

B

ougainville Copper Limited mines a large, low grade copper and gold orebody. But the critical resource of Bougainville Copper is its people – people who are committed to a goal and who work together to achieve it. The front cover and photographic theme of this report focus on some of the 3,700 employees who make the operation successful.

The major thrust of Bougainville Copper's program of education, training and staff development is directed towards developing the Papua New Guinea workforce and this has proven to be the cornerstone of our commercial success. In the early days of the operation the prime objective was to train employees to fill operating positions. In recent times, the emphasis has moved to higher level general and management training to meet individual and Company needs. However, apprentice training has been and will continue to be a high priority. The scope of training is evidenced by the following statistics:

	Total Training Since 1970	Training in 1987
Operators – earthmoving equipment and all heavy and light vehicles	4 880	780
Apprentices – trade training in multiple disciplines	950	290
Sponsorships and Scholarships – for undergraduate and post-graduate study in PNG and overseas	320	40
Cadets – electronics, powerstation and communications training	30	20
Post Trade Training – higher technical certificate	200	20
Graduate – development program	130	100
Management and organisational development program	280	20
Essential Services – medical, fire, safety and security	4 870	140
Supervisory and Administrative training	3 480	550

The emphasis placed on training and the development of work skills does not come cheaply. Bougainville Copper employs 93 full-time training staff of whom approximately half are employed in the Mine Training College with the remainder being full-time training staff located in the operational areas of the Company to develop on-the-job work skills. In 1987 the direct cost of this training was K6.3 million, or 12% of total wages and salary costs. Indirect costs would probably double this figure.

This commitment to employee training benefits the Papua New Guinea economy as a whole. It cannot, however, be adequately measured by training costs and statistics alone. The potential of employees is best identified in the workplace and developed as experience is gained in performing challenging jobs which contribute to the Company's performance. Every effort is made to retain skilled employees to gain maximum benefit from our investment in training and development. Trained employees who do leave Bougainville Copper and remain in Papua New Guinea, continue to make a contribution to the country. It is gratifying to see the technical, commercial and management

skills acquired by employees while working for Bougainville Copper, being reinvested towards the progress of the nation. We are always pleased to learn that employees who have served us well have secured meaningful jobs elsewhere in the private and public sector.

It is significant that many of those employees who leave us venture into their own businesses. Many of the 400 tradesmen who have left Bougainville Copper have commenced their own businesses in towns and villages, while many other ex-employees have started commercial ventures such as trade stores, pig farming, horticulture and commercial fishing. Of the 450 graduates who have benefited from Bougainville Copper's sponsorship and development program, about 250 have left to work for, or establish, professional businesses such as consultancies, legal firms and medical practices.

The Company thus provides a significant benefit to Papua New Guinea as one of the country's most important private training and development resources. Bougainville Copper is confident it can continue to succeed in an increasingly competitive industry because of its skilled people. The Company has in the past met the challenge of successfully mining a low grade resource, in a developing country with a relatively strong currency. Successfully overcoming future challenges will depend on continuing the emphasis on education and training of our people and thereby simultaneously contributing to the wealth of Papua New Guinea.





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