

**Bougainville Copper Limited**

## Notice of Meeting

The Annual General Meeting of Bougainville Copper Limited will be held at 10.00 a.m. on Tuesday, 16th April, 1985 in the Panguna Cinema, North Solomons Province, Papua New Guinea.

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

## Directors

D. C. Vernon (Chairman)  
Sir Frank Espie, O.B.E.  
R. H. Harding  
P. W. Quodling  
J. T. Ralph  
W. D. Searson

## Officers

P. W. Quodling  
(Managing Director)  
J. L. Auna  
(Executive Manager – Personnel)  
R. J. Cornelius  
(Executive Manager – Concentrator)  
J. B. Holt  
(Executive Manager – Mine)  
V. P. McCartin  
(Executive Manager – Support Services)  
P. Piercy  
(Executive Manager – Technical Services)  
R. N. Prideaux  
(Executive Manager – Commercial)  
A. W. Patterson  
(Secretary)

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

During 1984 the Company mined 74.7 million tonnes of material. Of this, 46.5 million tonnes of ore was treated to produce 542 260 tonnes of concentrate. This concentrate contained 164 447 tonnes of copper, 15 673 kilograms of gold and 44 400 kilograms of silver and had a gross sales value of K373.4 million (of which copper and gold contributed 53% and 45% respectively).

The mine commenced commercial production in 1972 and since start up has produced concentrate containing 2.3 million tonnes of copper, 238 895 kilograms of gold and 568 092 kilograms of silver. This production had a value of K3.4 billion which represents approximately 49% of the country's exports over that period. During this time contributions to the Government in the form of dividends, taxes and royalties totalled K642 million which represents approximately 17% of internally generated Papua New Guinea Government revenue. Further, the Company's presence on Bougainville Island has promoted the development of significant local business enterprises to provide goods and services required for the mining operation and for the island's residents.

The Company is the largest private employer in the country employing over 3 700 persons; of these 80% are Papua New Guinea citizens. Company training programmes 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.

The mine is located about 600 metres above sea level in rugged terrain. Equipment and processes used in the production of concentrate follow conventional lines, although the operation is unusual in the very large tonnage of material treated. This is necessary because of the low grade of the deposit. The end product, copper concentrate, is pumped 27 kilometres through a 15 centimetre diameter pipeline from the mine site to the Company's port at Anewa Bay.

Bougainville Copper Limited is owned 53.6% by CRA Limited. The Papua New Guinea Government and its nominee The Investment Corporation of Papua New Guinea own 20.2% while the remaining 26.2% of the share capital is held by public shareholders.

**Bougainville Copper Limited**  
(Incorporated in Papua New Guinea)

**Registered Office:**  
Panguna, Province of North Solomons,  
Papua New Guinea.

**Principal Registered Office in Australia:**  
55 Collins Street, Melbourne.  
Telephone (03) 658 3333.

**Share Registers:**  
Victoria: 84 Flinders Lane, Melbourne.  
Telephone (03) 654 4899.

A.C.T.: 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.

## Stock Exchanges:

Listed on the principal exchanges in all  
Australian states and New Zealand.

**Auditors:**  
Coopers & Lybrand.

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

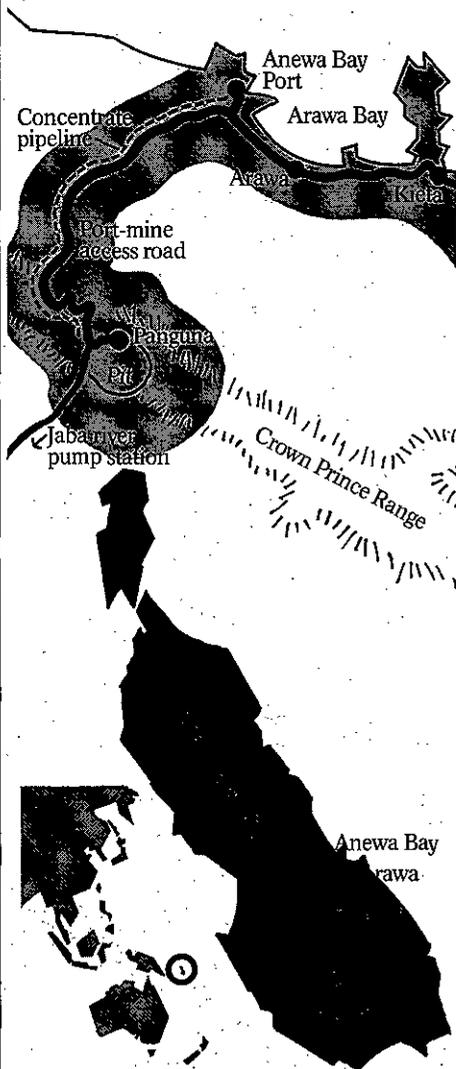
**Solicitors:**  
Arthur Robinson & Co.  
Gadens.



# Year in Brief

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		1984	1983
Concentrate production	(tonnes)	542 260	636 932
containing copper	(tonnes)	164 447	183 191
gold	(kilograms)	15 673	18 002
silver	(kilograms)	44 400	47 414
Net sales revenue	(K'000)	307 626	389 870
Net earnings after tax	(K'000)	11 601	54 660
Earnings per share	(toea)	2.9	13.6
Shareholders' funds	(K'000)	594 524	590 944
Return on shareholders' funds	(per cent)	2.0	9.3
Gross dividends	(K'000)	16 042	52 138
per one kina share	(toea)	4.0	13.0
Depreciation and amortisation	(K'000)	46 537	47 024
Government royalties	(K'000)	3 716	4 738
Taxation	(K'000)	15 234	46 963
Number of employees at 31 December		3 736	3 809



- One millionth tonne of copper in concentrate sold to Japan.
- Construction of No. 13 ball mill authorised.
- Eight year contract agreed with Rio Tinto Minera.
- Construction of new computer centre commenced.
- Completion of new 54 inch, linatex lined tailings pipeline.
- Letter of intent signed with Norddeutsche Affinerie for post 1987 shipments.
- The largest vessel ever to visit Anewa Bay, the Yuho Maru, with a dead weight of 79 999 tonnes berthed on 15th July and discharged fuel oil.
- Letter of intent agreed with Japanese buyers for post 1987 shipments.
- Contract awarded for the construction of new boilermaking workshop.
- Copper price reached its lowest level for 50 years, US56c/lb in October and averaged US62c/lb for the year.
- 16 days production were lost through industrial disputation.
- Installation of automated truck despatch system complete.

## **BCL** **...the Miner**

The grades of copper and gold mined at Panguna are low by world standards.

To enable economic extraction of these metals it is necessary to employ large scale efficient and cost effective mining practices. B.C.L. mines approximately 220 000 tonnes of ore and waste rock each day which places it among the largest open pit mines in the world.

To ensure continuity and efficiency of operations, the most modern operating and maintenance techniques are used.

The Company has developed computer systems which are used extensively in mine planning, production scheduling, production control and the maintenance of mine equipment. These techniques, combined with a specialised training programme for its employees, have enabled the Company to remain a low cost and efficient open pit miner.





D. C. Vernon, Chairman.

## Chairman's Statement

**T**he year 1984 saw a marked deterioration in Company profitability. The net earnings for the year were K11.6 million compared with the 1983 result of K54.6 million. This represents a 2% return on shareholders' funds which is clearly unsatisfactory. Profits for the first half year were K16.6 million, but with reduced production levels and depressed metal prices the Company suffered a loss of K5.0 million in the second half of 1984.

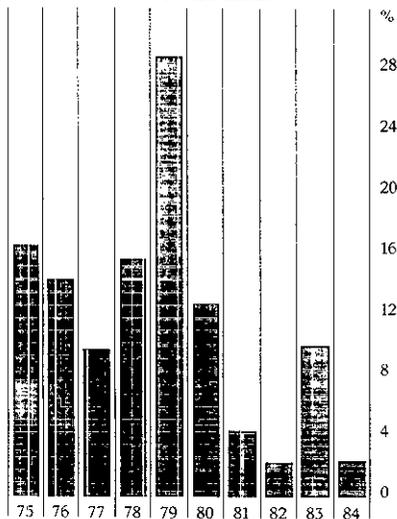
During the year 542 260 tonnes of concentrate containing 164 447 tonnes of copper, 15 673 kilograms of gold and 44 400 kilograms of silver were produced from the 46.5 million tonnes of ore mined. Concentrate production declined from the 1983 levels because of firstly, lower grades of ore mined and secondly industrial action by the Bougainville Mine Workers Union during November which resulted in 16 days' lost production. Ore grades will continue to decline through to the early 1990s, albeit at a slower rate, and careful planning will be required to optimise concentrate production. Work commenced during the year on the No. 13 ball mill and it is expected that this will be commissioned in the second half of 1985, initially as a regrind mill. To handle the further throughput of ore required and combat increasing ore hardness, an "Omnicone" crusher is being

developed jointly with Rexnord, U.S.A. It is expected that installation of a prototype will be carried out in the second quarter of 1985. A broad grid diamond drilling programme commenced during the year to complete the outline of the Panguna orebody. The first stage of drilling, 10 000 metres, will be completed in 1985. This programme will enable further mine strategic planning and metallurgical testing to ensure the optimum development of the Panguna deposit.

Bougainville Copper Limited is to the forefront in adopting the latest advances in mining and metallurgy and in undertaking cost reduction measures in order to remain an efficient cost competitive producer. The Company also places great emphasis on increasing efficiency and productivity through the development and maintenance of a skilled workforce. Training and education programmes are carried on at all levels in the organisation to provide the necessary skills. Programmes are reviewed regularly to ensure both their effectiveness and relevance to operations and their support for the Company's policy on localisation.

In October a copper price of US56c/lb was recorded, the lowest price in US currency in real terms for fifty years. The average price for 1984 was US62c/lb compared with US72c/lb in 1983. Throughout the year gold and silver prices were also depressed. The average price of gold on the London Gold Market was US\$361/oz compared with US\$424/oz in 1983. The average price for silver in 1984 was US\$8.1/oz compared with US\$11.4/oz in 1983. The gold price fell below US\$300/oz in December. To enable a better understanding of the current depressed copper

Return on shareholders' funds



and gold prices and to allow some predictions on possible future price trends my statement this year includes, as a supplement, a discussion on "long term metal price trends".

The United States dollar dominated the world's financial markets throughout the year. The strong dollar resulted in increased kina sales revenue, but this was offset in part by the increased cost of imported supplies and materials as well as by the effect on loan repayment obligations. High real interest rates, a deregulation of the banking system and abolition of withholding tax in the United States all contributed to a strong inflow of funds to the United States and thus a stronger dollar.

In July, elections were held in the North Solomons Province in which the Melanesian Alliance Party won 15 of the 19 seats in the assembly and Dr A. H. Sarei replaced Mr L. J. Hannett as Premier. I am confident that the close working relationship we enjoyed with the former Government will continue with Dr Sarei and his Government.

Development within the Province will receive a boost in the first half of 1985 with the commencement of production of hydrated lime by Bougainville Limestone Mining Pty Limited from its limestone mine at Manetai. Bougainville Copper Limited holds a 12.5% interest in Bougainville Limestone Mining Pty Limited and has contracted to take all its hydrated lime requirements from the company.

The Laluai Hydro-Electric Development Trust, which is sponsored by the National and Provincial Governments, Bougainville Development Corporation Limited and Bougainville Copper Limited,

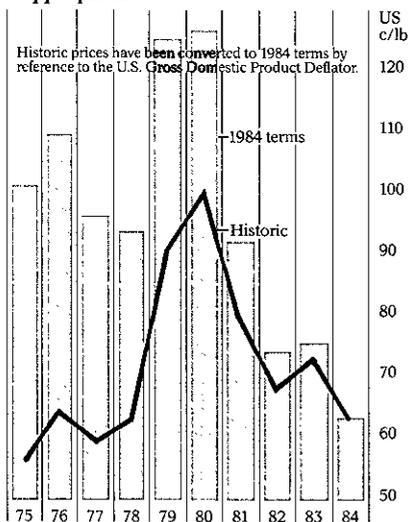
completed a pre-feasibility study of the hydro-electric potential of the Laluai River. In November BT Australia Limited was appointed financial advisor by the Trust. A decision is to be made shortly on whether or not to proceed with a full feasibility study into the concept of a run-of-river scheme with a small dam on the Laluai and a power station on the coast. It is expected that the feasibility study would take approximately twelve months to complete after which time a decision would be made as to whether to proceed with the development and construction phases.

The moratorium on mineral exploration on the seven Prospecting Authorities held by the Company outside the special mining lease continued during the year. A resolution of issues between the National and Provincial Governments and landowners is required before any development can take place. It is to be hoped that meaningful discussions aimed at resolving the outstanding differences between the respective parties will lead to a lifting of the moratorium.

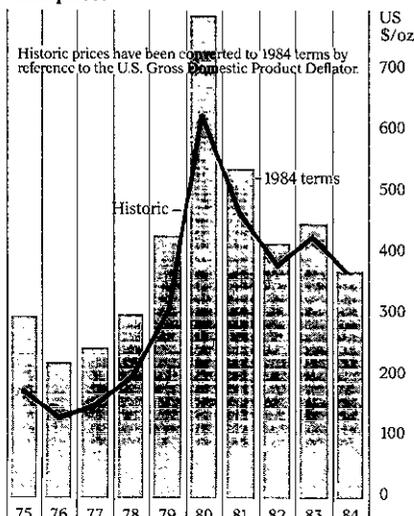
The recovery in prices and profitability we saw in 1983 did not continue in 1984 despite a faster growing world economy. The 1984 year has been yet another difficult one and it is predicted that the immediate ensuing years will be very difficult for our industry. However, we remain committed to overcoming these difficulties and to meeting new challenges through careful planning and with the continued support and co-operation of our employees.

**Long term metal price trends:** In real terms, copper and gold prices have been languishing around the depressed levels applying during the Great Depression some fifty years ago,

**Copper prices**



**Gold prices**



and well below longer term averages or trends. Over this period mining methods have improved but because ore grades are much lower than they were fifty years ago cost savings have been only marginal. The relatively long period of depressed prices, especially for copper, has forced all participants in this industry to give careful consideration to their future strategy.

The copper price showed an upward trend from the early 1930s to the early 1970s, but since then the trend line has been strongly downwards (see graph).

The fundamental uncertainty facing the industry is whether the copper price is going through an extended trough, before turning up again as it has in previous business cycles, or whether structural changes in the copper industry will permanently lower the profitability of all producers?

Over the last two decades, there have been some dramatic changes in the copper industry:

- New technologies and competing products have made inroads into traditional markets for copper.
- New patterns of ownership and control of primary production have emerged.
- Environmental pressures have become more intense.
- The geographical distribution of production and consumption continues to change.

The seeds of some of the industry's current difficulties were sown during the 1960s. This was a decade of strong growth in demand and continuing high prices. A consequence of this strong demand was that significant expansions of primary copper production capacity occurred during this period. Unfortunately the expectations of continuing

high prices encouraged mining companies to invest to the extent that considerable excess capacity was installed.

Much of this capacity came into production just as the rate of growth of demand for copper began to decline. The rapid economic growth of the 1960s culminated in the boom of 1972-73. Demand for copper increased at 3.8% per annum in the period 1960-1973, but since then has grown at only 1.3% per annum.

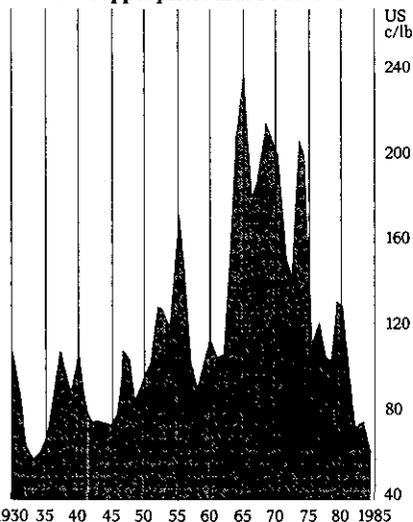
The significance of this change in demand is shown in the graph on the intensity of copper usage for USA, Japan and Europe. Intensity is defined as copper consumption per unit of industrial output. The overall decline since 1970, particularly in the USA, has been dramatic. Some of the reasons for this are:

- Substitution, for example, the use of aluminium cable in overhead power lines or plastic instead of copper tubing in plumbing.
- Miniaturisation, or more economic use. Car radiators for example, use much less copper than they did ten years ago.
- Technological change, where new methods are developed. For example, fibre optics or satellites for communications.

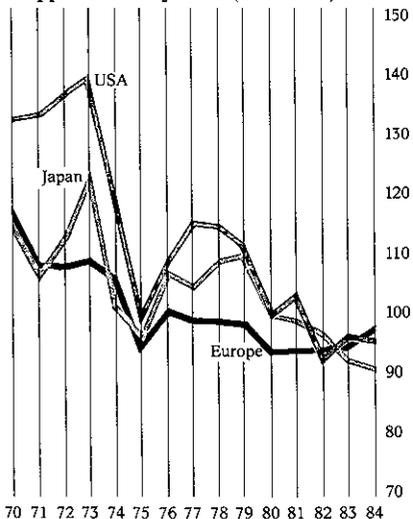
The combination of these and other factors is forcing the copper industry to make adjustments. The adjustment process is a slow and painful one and there is no doubt that this is a most difficult period for the industry.

The combination of excess capacity and slow consumption growth has produced a large number of the problems facing the industry today (see graph). The most obvious evidence of these problems is the high stock levels worldwide. The key to the immediate future lies with stock levels and their influence

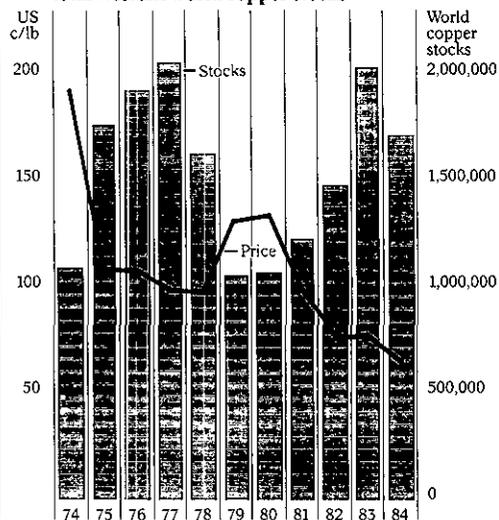
Historic copper prices in 1984 dollars



Copper's intensity of use (1980 = 100)



Copper price (1984 terms) versus total western world copper stocks



on prices. Past relationships are changing and some new price influences are yet to be understood. How long, for example, will it take to reduce stock to more "normal" levels and what sort of a price reaction is likely as stocks fall?

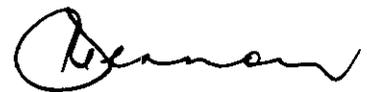
On the supply side, investment in new production capacity is likely to be restrained with one or two outstanding exceptions. High interest rates and the poor price outlook have created an unfavourable investment climate. In addition the prospect of permanent mine closures increases while prices remain at current levels. Although demand for copper will continue to grow, the rate will be slow. Excess capacity should therefore disappear in time, but probably not until the early 1990s. Until then prices will continue to be dampened by the capacity overhang. As this overhang is removed and a better balance between supply and demand is achieved, prices could begin to increase and to move into line with marginal costs of production, but it is expected that any recovery will be modest.

As gold is a monetary commodity its situation is different from that of copper, a base metal. The price was fixed until the late 1960s and has fluctuated freely since then. Political and economic instability, inflationary pressures worldwide and a weak dollar set the scene for the dramatic increases in prices in 1979 and 1980. Prices have since fallen from these levels and with low inflation, high real interest rates and a strong dollar the outlook for precious metal prices is not particularly encouraging, (see graph).

Together with these somewhat external factors, are the influences of supply and demand. In the classical manner

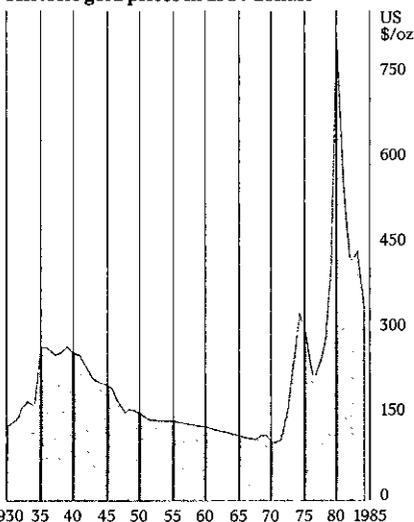
the period of historically high prices led to increased mine production of gold but brought pressures on demand. Higher prices encouraged exploration for gold, the opening of new mines and expansion of output from some existing mines. On the other hand, the effect on investors was to reduce their confidence in gold as a store of value and to cause them to seek and use alternative means of hedging against inflation. The use of gold in jewellery and in industrial fabrication also reacted to the high prices. Unfortunately investors and fabricators are not yet responding positively to the lower gold prices because the strong US dollar makes prices expressed in domestic currencies still appear relatively high.

While the outlook to the end of the decade is not encouraging, the longer term picture may be a little more optimistic. The challenge for producers is to develop appropriate strategies to remain viable through the remainder of the 1980s. Those that do should enjoy a return to more acceptable profit levels early in the 1990s.



D. C. Vernon  
Chairman  
14th February, 1985.

Historic gold prices in 1984 dollars





## **BCL ...the Educator**

A fundamental objective of the Bougainville operation has been that increasing and widening employment opportunities would be available to Papua New Guineans.

Many Papua New Guineans joining Bougainville Copper need to be trained. The Company places great emphasis on training, not only that which is necessary for operation but also in social and allied fields.

The success of such a programme depends heavily on the aptitude and enthusiasm of National personnel, teamwork and good communication. It also requires the co-operation and goodwill of expatriate staff and a willingness to pass on skills, often to the point of training themselves out of a job.

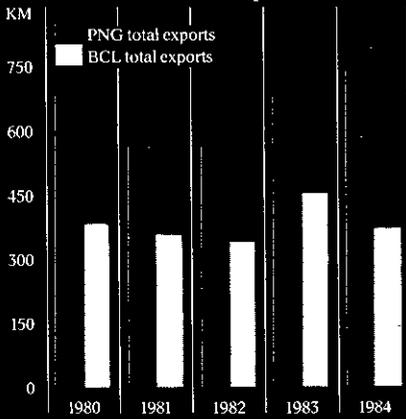
# BCL ...the Exporter

Bougainville Copper Limited is the single largest exporter in Papua New Guinea.

The Company has accounted for 49% of the total exports since production commenced in 1972.

Since 1972 the Company has exported 7 638 million tonnes of concentrate containing 2.3 million tonnes of copper, 238 895 kilograms of gold and 568 092 kilograms of silver with a total value of K3 400 million. The major proportion has been shipped under long term contracts to major smelting and refining companies in Japan, West Germany and Spain with additional regular sales to buyers in the People's Republic of China and South Korea. Spot sales have been shipped to another 9 countries.

BCL's effect on PNG Exports





P.W. Quodling, Managing Director.

## Review of Operations

**M**asured ore reserve: The recoverable proved ore reserves at the end of 1984 based on current ultimate pit design were estimated at 675 million tonnes averaging 0.40% copper and 0.46 grams of gold per tonne of ore.

**Production:** Production statistics were as follows:

	Year Ended 31/12/84	Year Ended 31/12/83
Material mined (millions of tonnes)		
Ore	46.5	47.7
Waste	28.2	33.3
Waste/Ore ratio	0.61/1	0.70/1
Ore grade		
Copper (per cent)	0.42	0.46
Gold (grams/tonne)	0.48	0.55
Silver (grams/tonne)	1.34	1.42
Concentrate produced (dry tonnes)		
	542 260	636 932
Concentrate grade		
Copper (per cent)	30.3	28.8
Gold (grams/tonne)	28.9	28.3
Silver (grams/tonne)	81.9	74.4
Contained metal in concentrate		
Copper (tonnes)	164 447	183 191
Gold (kilograms)	15 673	18 002
Silver (kilograms)	44 400	47 414

**Mine:** A total of 46.5 million tonnes of ore and 28.2 million tonnes of waste were mined during the year. As predicted there was a decline in ore grades with copper headgrade being 0.42% and gold headgrade being 0.48 grams/tonne. The average grade for remaining ore reserves is 0.40% copper and 0.46 grams/tonne gold. Production in the pit was affected by industrial action which resulted in 16 days' lost production.

Ore production was split equally between the upper benches on the north wall and the bottom of the pit with a minor amount being mined from the upper benches on the south

wall. Production in 1985 will be from the same areas but with the majority of production being from the north wall.

Waste stripping was again from the north-east wall. Due to low metal prices, the planned advanced waste stripping was reduced by 5 million tonnes. This reduction in waste stripping was possible because of advanced stripping in recent years. Waste stripping in 1985 will be mainly from the north-east and east walls of the pit.

High levels of performance and availability of major production equipment were maintained.

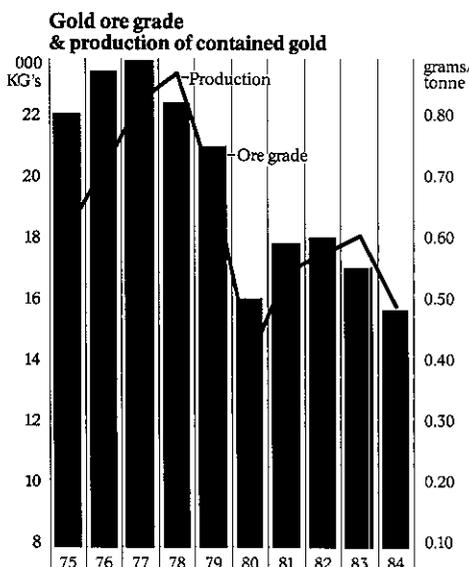
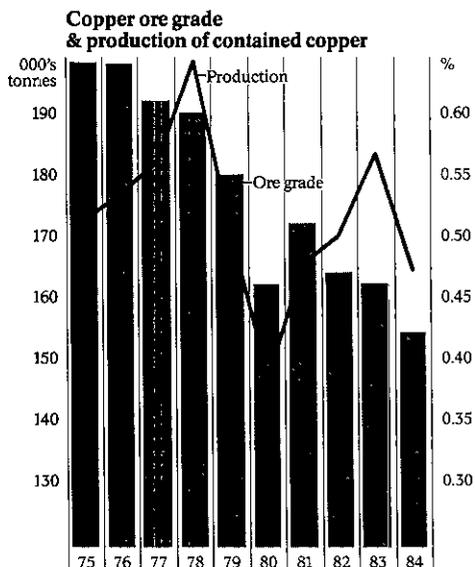
A dynamic haul truck control and production reporting system was installed at the end of the year. The system is expected to realise significant improvements in truck allocation and reduce inefficiencies existing in the previous batch allocation system.

The twin vertical shafts between the pit gravity drainage tunnel and the bottom of the pit were successfully completed early in the year. Concreting of the tunnel floor has been completed and arch lining of those areas requiring support is in progress. The tunnel is expected to be commissioned for drainage by mid 1985.

**Concentrator:** The Concentrator processed 46.5 million tonnes of ore compared with 47.7 million tonnes in 1983. The reduced throughput was due to the industrial stoppage in November.

The reduction in throughput together with lower ore grades resulted in concentrate production being below the 1983 total. Concentrate production for 1984 was 542 260 tonnes containing 164 447 tonnes of copper, 15 673 kilograms of gold and 44 400 kilograms of silver.

An additional ball mill (No. 13) is being installed to handle the additional material required to offset the decline in ore grades and is expected to be commissioned in July 1985. This will operate initially in a grind mode.



## BCL ...the Citizen

As part of the Company's continuing role in the community, close working relationships are maintained with the National and Provincial Governments and landowners.

Environmental impact studies continue into the effects of tailings disposal on the Jaba River system and the Empress Augusta Bay. Monitoring tests show there has been no evidence of heavy metal accumulation.

Revegetation is being successfully carried out on the final pit slopes, and completed waste rock and tailings dumps using a mixture of grasses and legumes.



Work has progressed satisfactorily on the installation of four thickeners to recover water from tailings. The benefits of this project in overcoming process water shortages and reducing water supply costs will follow from the start-up of the thickeners in May 1985.

The Company in joint participation with Rexnord U.S.A. is developing a new higher capacity "Omnicone" crusher. Installation of the prototype unit will be completed during the second quarter of 1985 and rigorous testing will then be carried out to determine its suitability for future use.

**Infrastructure:** The additional housing in Arawa which commenced in 1983 was completed and occupied, and a further 21 duplex dwellings are under construction at Birempa.

A new permanent mess building at the Loloho single men's camp, replacing the original construction-phase facility, was opened for catering in January 1985.

The load on the power station continued to grow and a peak load of 130 megawatts was registered during an extended period of dry weather in June.

The workload on the central workshops has grown with the increase in size and age of the process plant. Construction of a new boilermaking shop has commenced to enable more efficient handling of this workload.

With the growth in scope and complexity of the Company's computing systems, a new building is being constructed to more adequately house the corporate mainframe computer.

A new user-orientated materials management system has been designed and will be ready for the phase one implementation early in 1985. The system is designed to reduce the overall stock holding and administrative effort in supply management.

The traditional source of hydrated lime will be replaced in the first half of 1985 by lime

from Bougainville Limestone Mining Pty. Limited situated at Manetai approximately 32 km from Panguna. This will significantly reduce lead time and stock holding requirements.

Through co-operation between the police and the Company's security services, urban areas in Bougainville continued to be isolated from the further decline in law and order seen elsewhere in Papua New Guinea.

A major national study into the causes and prevention of crime in Papua New Guinea generally, was undertaken in a joint programme between the National Government and the Institute of National Affairs, a privately sponsored body.

The National Government has used the results of this study to establish major fresh initiatives. It is hoped that this move will restore public confidence in the ability of the various agencies to maintain an acceptable level of law and order.

**Operating costs:** Total operating costs were 4% higher than in 1983. Fuel remains the largest single cost item accounting for 27% of operating costs. New fuel contracts, entered into in late 1984, will result in a significant reduction in fuel costs.

Operating cost increases generally have been contained within inflation rates but lower concentrate production combined with the inherent fixed cost nature of a large proportion of operating costs has resulted in a 22% increase in the unit cost of concentrate produced.

Costs are under critical review in the light of the continuing depressed outlook for metal prices over the balance of this decade.

**Marketing:** Sales during 1984 totalled 550 791 dry tonnes of concentrate containing 167 101 tonnes of copper, 15 962 kilograms of gold and 45 009

kilograms of silver. These compare with sales in 1983 of 636 051 dry tonnes of concentrate containing 182 474 tonnes of copper, 17 908 kilograms of gold and 47 277 kilograms of silver. Sales in 1984 declined as a result of reduced production.

Concentrate was delivered under long term contracts to buyers in Japan, West Germany, and Spain. In addition a number of shipments were made to buyers in China and South Korea. The demand for copper concentrate as distinct from copper metal was particularly good resulting in a continuation of the very competitive concentrate market that existed in 1983. The concentrate shortage was a result of strong competition in the market in the face of new smelters and smelter expansions, mine production cutbacks and closures particularly in North America and the Philippines. The Company's concentrate remains a favoured product with smelters and demand for the concentrate is high.

In February agreement was reached with Rio Tinto Minera, Spain on a new eight year contract to run from 1st July, 1984. This replaced the original fifteen year R.T.M. contract which was due to expire in March 1987. Letters of intent were also signed with Norddeutsche Affinerie and the Japanese smelter group to continue shipments after the expiration of the present contracts in 1987.

Under the influence of the strong economic recovery in the United States, demand for copper metal has been good and stocks have continued to decline. However, the falls have still not been sufficient to stimulate copper prices. The high real US interest rates and the consequent strong US dollar have helped to depress prices even further. As a result the

copper price in real terms fell during 1984 to its lowest level in fifty years. The price opened the year at US65c/lb before peaking at US71c/lb in April and rapidly declined thereafter.

The lowest copper price in 1984 of US56c/lb was recorded in October. The annual average copper price in 1984 was US62c/lb compared with US72c/lb in 1983 and US67c/lb in 1982.

The high real US interest rates, the strong US dollar and low rates of inflation were the dominant influences in the investment market for gold. In each case the influences were negative. As a result funds which might otherwise have been invested in gold and silver were directed towards the extremely attractive investment opportunities available in US financial markets. These factors together with increases in new mine production caused gold and silver prices to decline sharply.

The gold price commenced the year at US\$383/oz and rose to US\$406/oz in March due to a temporary easing of US interest rates. The gold price then began to decline and by December had fallen to below US\$300/oz. The annual average price on the London Gold Market was US\$361/oz compared with US\$424/oz for 1983.

The silver price behaved in a similar pattern. The annual average price was US\$8.1/oz compared with US\$11.4/oz in 1983.

**Finance:** The poor metal prices which prevailed throughout the year reduced the level of cash held on interest bearing deposits which had built up during 1983.

All loan instalments were met as they fell due, including the repayment of the 1977 Eurobond

issue and the E.F.I.C. Crusher Loan. Total borrowings at year end were K51.7 million (1983: K56.7 million) and cash balances were K14.4 million (1983: K35.4 million).

A US\$40 million Bankers Acceptance Facility was arranged with Chase Manhattan Bank. This Facility together with the US\$40 million Facility with Bank of America and the US\$50 million Facility with the Commonwealth Bank of Australia brings total Standby Facilities to US\$130 million. These Facilities, reviewed annually, provide standby finance at competitive rates.

In addition long term finance is provided by the US\$225 million Revolving Credit Facility. This 10 year Facility will reduce by 20% each year commencing in May 1987 and terminating in May 1991.

At 31st December, 1984 US\$45 million (1983 US\$35 million) had been drawdown under these facilities leaving a balance of US\$310 million available.

On currency markets exchange rates were volatile throughout the year with the US dollar continuing to strengthen against most currencies. As a result exchange losses were incurred on borrowings.

Interest costs for the year at K6.5 million were lower than the previous year (1983: K9.0 million). This was attributable to the reduced level of borrowings.

The outlook for 1985 is dependent upon metal prices. Current projections indicate an increase in the level of borrowings.

**Personnel:** Total Company employment at the end of 1984 was 3 736 (1983: 3 809), of which 2 987 (1983: 3 058) or 80% were Papua New Guinea citizens.

The Company's substantial staff development programme continued throughout the year.

The 1984 formal training covered 441 employees. These

consisted of 259 apprentices, 32 under-graduates and post-graduates and 150 post-trade tradesmen. 20 apprentices received their indentures in 1984. In addition a total of 124 national and non-national employees attended on-site and off-site supervisory and management courses.

Whilst these development efforts continued, the Company also undertook some major reviews into its current trade training and staff development methods and practices. This has resulted in a greater emphasis in training Papua New Guinea employees to meet Company needs in areas of greater responsibility. The scheme is being progressively expanded to foster the development of all national employees.

**Environmental:** A major study examining future tailings disposal options was carried out during the year. Engineering, environmental and financial aspects were all considered. Included in the environmental aspects was a major review by outside senior professional consultants of all environmental work carried out to date in relation to tailings disposal. Revegetation of a small tailings area at Bato was carried out and in this way it is expected that the long-term success of tailings revegetation will be demonstrated. In addition, revegetation of disturbed areas around the mine site has continued. Environmental research, monitoring and control works have also continued throughout the year.

The occupational health programme was continued and expanded throughout the year. New aspects of the programme included the formation of a Hazardous Goods Committee to review all aspects of the transport, handling and use of hazardous goods throughout the Company, analysis of dust and noise exposures in the mine crusher and civil works areas, and extension of the employee medical examination programme.

## **BCL** **...the Developer**

As the largest private business in P.N.G., B.C.L. has assumed a strong and positive role as a corporate citizen. Executives represent the Company on a number of Government planning, review and advisory committees. In addition, B.C.L. is striving to promote a broader base of development in the North Solomons Province. It has a minority interest in Bougainville Limestone Mining Pty Limited which will supply hydrated lime to B.C.L. and is developing other lime markets in P.N.G.

With the National and Provincial Governments and Bougainville Development Corporation Limited, B.C.L. sponsored during 1984 a pre-feasibility study of the hydro-electric potential of the Laluai River. The study showed the scheme to have advantages and it could lead to a major venture with B.C.L. as a participant.



# BCL ...the Technologist

Bougainville Copper Limited is among the leaders in the mining and mineral processing industry in applying technological innovations to production processes. Extensive use is made of computer systems in the area of process development and control, instrumentation, materials handling, equipment design and wear part technology.

Current major process developments incorporate the latest technology and include the development of a 750kW Omnicone crusher, the installation of high capacity thickeners for tailings water reclamation, the development of automatic flotation control, and the use of a variable speed gearless drive on the number 13 ball mill which is being installed with both primary grinding and regrinding capabilities.



**Exploration:** The broad grid drilling programme to define the extensions of the Panguna ore body around the periphery continued throughout the year. Long term mine strategic planning will take into account any lower grade extensions outlined by the programme.

No exploration was carried out on the Prospecting Authorities held by the Company. Under the terms of the Bougainville Copper Agreement exploration cannot be undertaken without prior Government approval. Agreement on conditions of development between the National and Provincial Governments and landowners is a prerequisite for such approval.

**Capital expenditure:** Capital Expenditure for the year totalled K29.0 million.

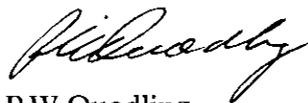
Expenditure of a further K2.6 million was incurred on the pit drainage tunnel during the year, the total cost so far being K17.9 million. Completion of the project is expected in 1985.

Construction of a 13th ball mill commenced early in the year and expenditure to date is K4.0 million. A tailings water

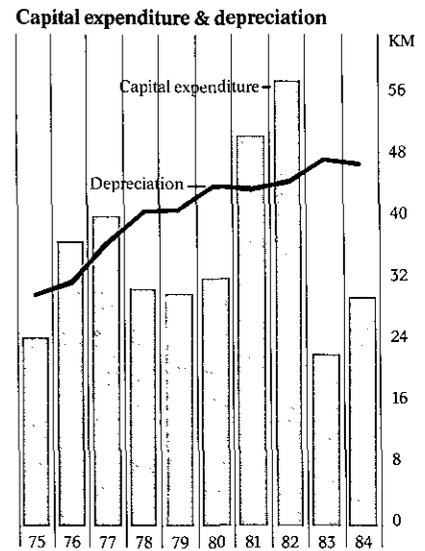
reclamation project at the concentrator started during the year and is scheduled for completion midway through 1985. Expenditure of K5.7 million was incurred in 1984 and a further K1.6 million was spend on the replacement tailings pipeline.

The building of additional married accommodation at Birempa to alleviate an acute housing shortage was near completion at year end with expenditure to date of K1.8 million.

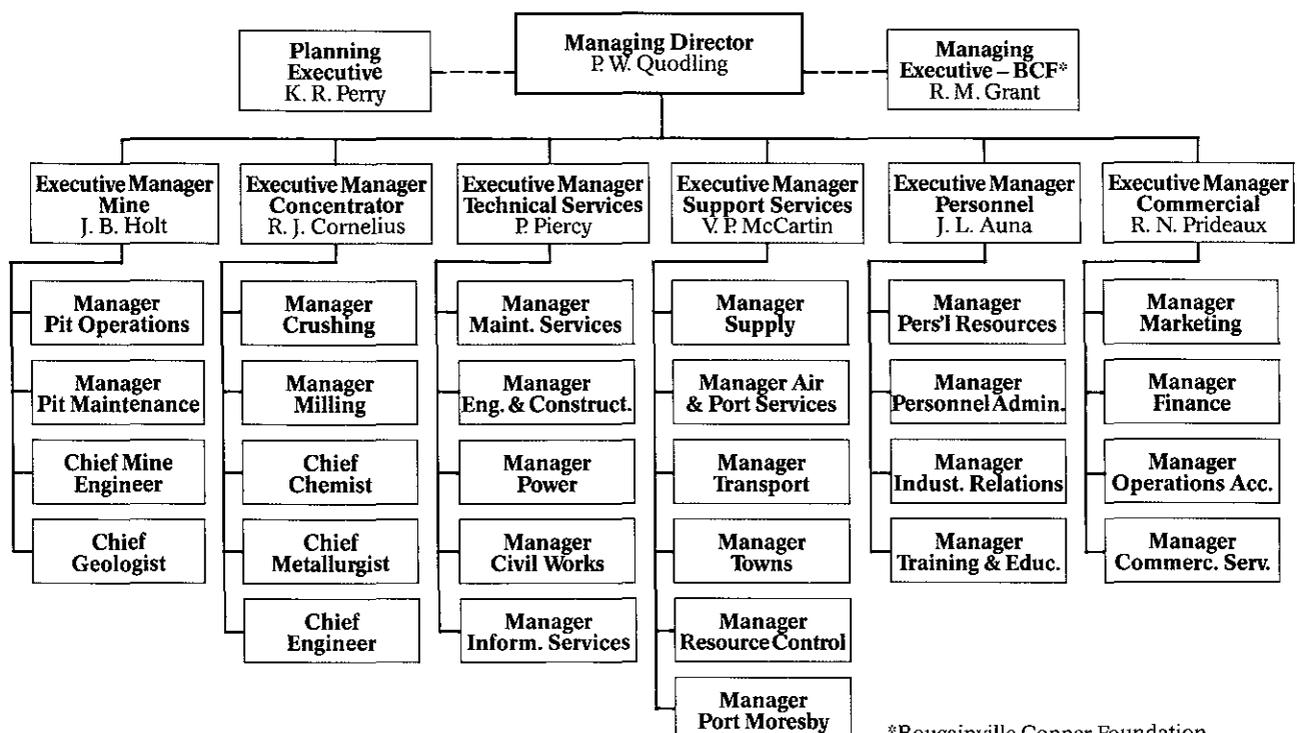
Future capital expenditure is under continuous close scrutiny in the light of predictions of depressed metal prices for the next several years.



P. W. Quodling  
Managing Director  
14th February, 1985.



### Bougainville Copper Limited Organisation Chart



\*Bougainville Copper Foundation

# Statement of Value Added

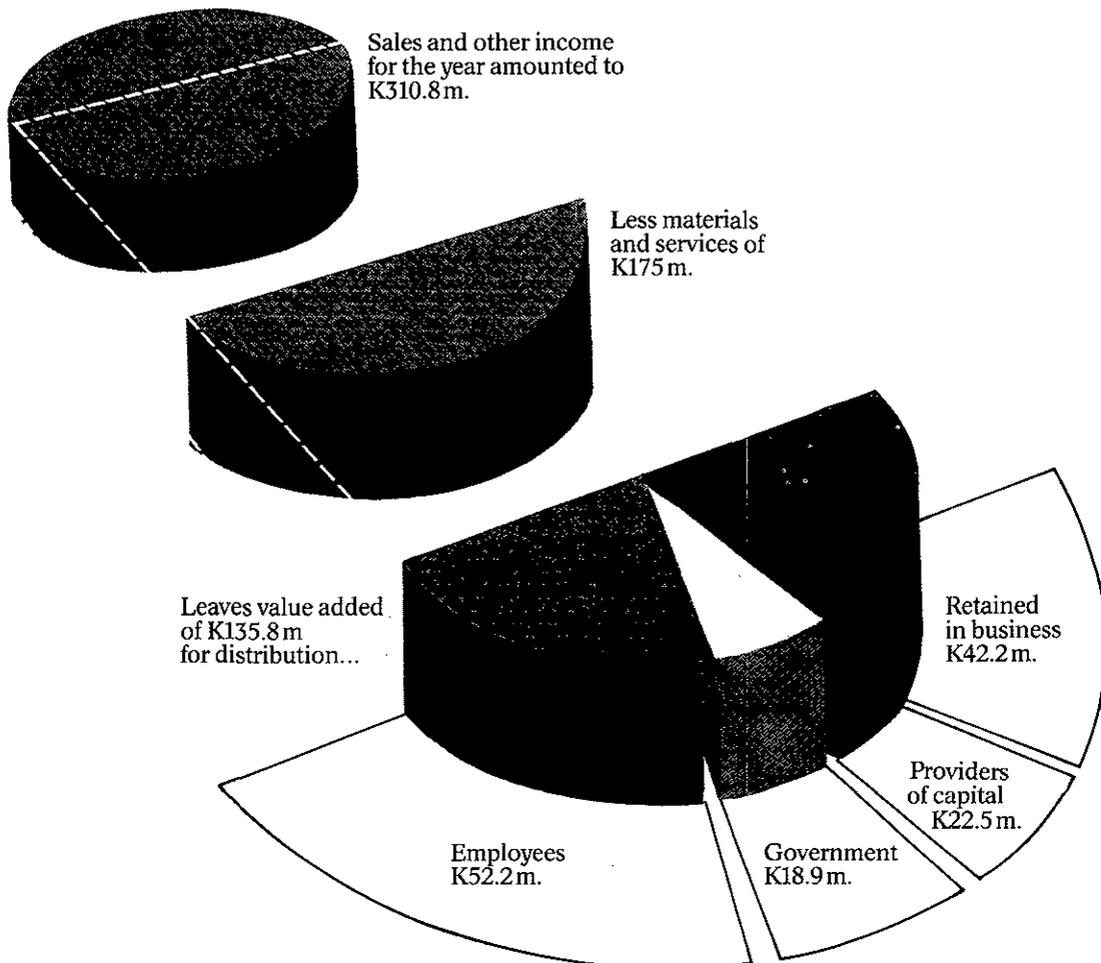
A country's economy is largely made up of the activities of employers and employees and the contribution they make to that economy is known as the Value Added.

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 National 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.

	1984 K mill.	1983 K mill.
<b>Value added</b>		
Sales made to external customers	307.6	389.9
Less: Materials and services brought in from outside the Company	<u>175.0</u>	<u>183.2</u>
	132.6	206.7
Add: Other income	<u>3.2</u>	<u>3.0</u>
Total Value Added available for distribution	<u>135.8</u>	<u>209.7</u>
<b>Distribution</b>		
Wages, salaries and benefits to EMPLOYEES	52.2	47.4
Taxation and royalties to GOVERNMENT To PROVIDERS OF CAPITAL	18.9	51.7
Dividends to shareholders	16.0	52.1
Interest to lenders	6.5	9.0
RETAINED in business to provide for asset replacement, expansion and protection of the Company and its employees in less favourable times.		
Depreciation and amortisation	46.6	47.0
Retained earnings	<u>(4.4)</u>	<u>2.5</u>
Total Value Added distributed	<u>135.8</u>	<u>209.7</u>

## Distribution of Value Added



# Directors' Report

**T**he 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, 1984.

## Directors:

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

D. C. Vernon (Chairman)

Age 56 *Dipl. Chem. Eng*

Sir Frank Espie, O.B.E.

Age 67 *B. Eng*

R. H. Harding

Age 67 *A.A.S.A. SEN., A.C.I.S.*

P. W. Quodling (Managing Director)

Age 58 *B. COM, A.A.U.Q., F.A.S.A.*

J. T. Ralph

Age 52 *F.A.S.A., C.P.A.*

W. D. Searson

Age 35 *B.Sc*

J. T. Ralph retires in accordance with the Company's Articles of Association. Mr Ralph, being eligible, offers himself for re-election as a Director of the Company.

## Activities:

Bougainville Copper Limited has produced concentrate containing copper, gold and silver from a mine at Panguna, North Solomons Province, since 1972. The Company has two subsidiaries. Bougainville Copper Finance N.V. is incorporated in the Netherlands Antilles for fund raising purposes. BCL (Hong Kong) Limited arranges shipping contracts on behalf of the Company.

## Net Earnings:

The net earnings of Bougainville Copper Limited and its subsidiaries for 1984 totalled K11 601 000 after providing K46 537 000 for depreciation and amortisation, K3 716 000 for royalties and K15 234 000 for income tax.

## Taxation:

Taxation of K15 234 000 charged to earnings comprises K14 087 000 current tax and K1 147 000 future tax.

## Subsidiaries:

No subsidiaries were disposed of during the year. No dividends were paid by Bougainville Copper Finance N.V. or BCL (Hong Kong) Limited.

## Share Capital:

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

## Exchange Fluctuations:

Exchange losses of K3 336 000 were realised on the repayment of United States and Australian dollar loans. Provisions raised against unrealised exchange losses on overseas borrowings were K464 000. In addition,

exchange gains of K1 041 000 arose on the translation of overseas bank balances. All these gains and losses were included in 1984 earnings.

## Long Term Loans:

Drawdowns of K87 321 000 were made during the year against long term loan arrangements. Repayments of K96 672 000 were made against existing loans, leaving a balance outstanding at the end of the year of K51 663 000.

## Dividends:

An interim dividend of two toea per share was paid in November. A final dividend of two toea per share has been declared and is payable on 2nd May, 1985. 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 15).

## 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 that 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, 1984, and the date of this report, 14 February, 1985.
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. No item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which, in the opinion of the Directors is likely to affect substantially the results of the operations of any corporation in the Group during 1985.

4. 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, 1984.

5. 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.

6. 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 14th day of February, 1985 in accordance with a resolution of the Directors of Bougainville Copper Limited.

D. C. Vernon  
Chairman.

P. W. Quodling  
Managing Director.

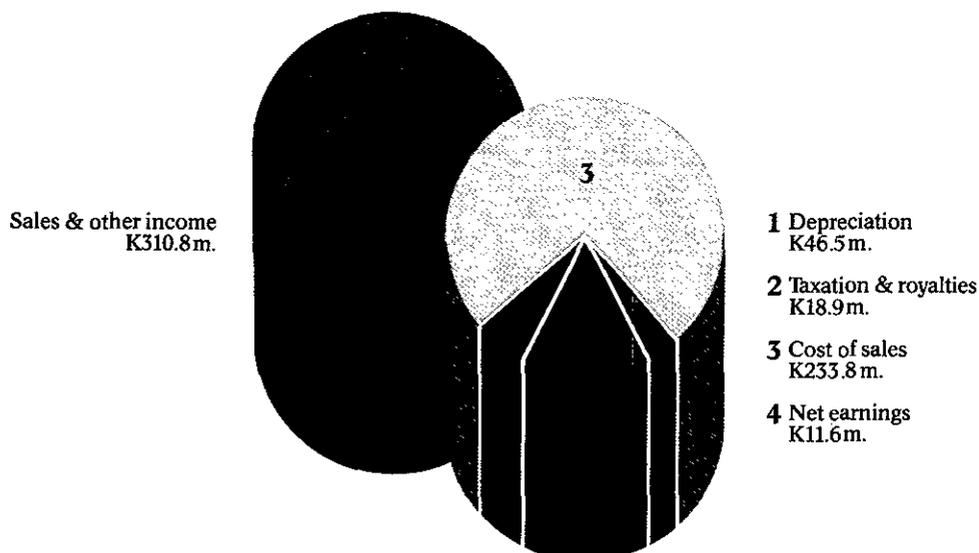
# Statements of Earnings

year ended 31 December, 1984  
Bougainville Copper Limited

	Notes	Consolidated		Bougainville Copper Limited	
		1984 K'000	1983 K'000	1984 K'000	1983 K'000
<b>Income</b>					
Net sales revenue		307 626	389 870	307 626	389 870
Other income (net)		3 231	2 989	3 231	2 989
		<u>310 857</u>	<u>392 859</u>	<u>310 857</u>	<u>392 859</u>
<b>Costs and expenses</b>					
Costs of sales, general and administration expenses		224 536	214 102	224 529	214 114
Depreciation and amortisation		46 537	47 024	46 537	47 024
Government royalties		3 716	4 738	3 716	4 738
Interest		6 474	9 047	6 474	9 047
		<u>281 263</u>	<u>274 911</u>	<u>281 256</u>	<u>274 923</u>
Net exchange losses	5	2 759	16 325	2 759	16 325
<b>Earnings before taxation</b>	2	<u>26 835</u>	<u>101 623</u>	<u>26 842</u>	<u>101 611</u>
Income tax	3	15 234	46 963	15 234	46 963
<b>Net earnings for year</b>		<u>11 601</u>	<u>54 660</u>	<u>11 608</u>	<u>54 648</u>
Add:					
Retained earnings brought forward		158 605	156 083	158 598	156 088
		<u>170 206</u>	<u>210 743</u>	<u>170 206</u>	<u>210 736</u>
Less:					
<b>Ordinary dividends</b>					
Interim paid		8 021	20 053	8 021	20 053
Final payable		8 021	32 085	8 021	32 085
		<u>16 042</u>	<u>52 138</u>	<u>16 042</u>	<u>52 138</u>
<b>Retained earnings carried forward</b>		<u>154 164</u>	<u>158 605</u>	<u>154 164</u>	<u>158 598</u>

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



# Balance Sheets

at 31 December, 1984  
Bougainville Copper Limited

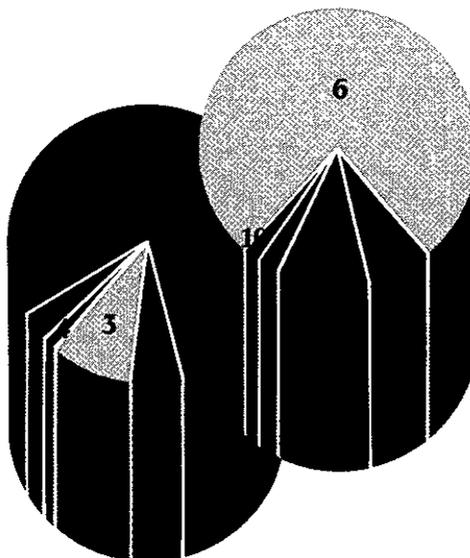
	Notes	Consolidated		Bougainville Copper Limited	
		1984 K'000	1983 K'000	1984 K'000	1983 K'000
<b>Funds employed by the group:</b>					
<b>Shareholders' funds</b>					
Paid up capital	4	401 063	401 063	401 063	401 063
Asset revaluation reserve		31 276	31 276	31 276	31 276
Retained earnings		154 164	158 605	154 164	158 598
		<u>586 503</u>	<u>590 944</u>	<u>586 503</u>	<u>590 937</u>
<b>Exchange fluctuation</b>	5	<u>(5 269)</u>	<u>(4 723)</u>	<u>(5 269)</u>	<u>(4 723)</u>
<b>Non-current liabilities</b>					
Deferred income tax liability	3	25 995	22 548	25 995	22 548
Loans	6	29 849	31 123	29 849	31 123
Provision for long service leave		6 135	5 277	6 135	5 277
		<u>61 979</u>	<u>58 948</u>	<u>61 979</u>	<u>58 948</u>
<b>Current liabilities</b>					
Loans	6	21 813	25 544	21 813	25 544
Creditors	7	51 282	45 158	51 267	45 148
Income tax		14 509	39 865	14 509	39 865
Dividends payable		8 021	32 085	8 021	32 085
		<u>95 625</u>	<u>142 652</u>	<u>95 610</u>	<u>142 642</u>
<b>Total funds</b>		<u>738 838</u>	<u>787 821</u>	<u>738 823</u>	<u>787 804</u>
<b>These funds are represented by:</b>					
<b>Non-current assets</b>					
Future income tax benefit	3	9 572	7 273	9 572	7 273
Investments	8	156	285	165	294
Property, plant and equipment	9	576 215	594 945	576 215	594 945
		<u>585 943</u>	<u>602 503</u>	<u>585 952</u>	<u>602 512</u>
<b>Current assets</b>					
Bank balances and short term deposits		14 439	35 376	14 419	35 108
Debtors for sale of concentrate		76 720	88 860	76 720	88 860
Other debtors	10	7 199	5 006	7 195	5 248
Stocks and stores	11	54 537	56 076	54 537	56 076
		<u>152 895</u>	<u>185 318</u>	<u>152 871</u>	<u>185 292</u>
<b>Total assets</b>		<u>738 838</u>	<u>787 821</u>	<u>738 823</u>	<u>787 804</u>
<b>Commitments</b>	13				
<b>Contingent liabilities</b>	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

**Total funds: K738.8m.**

- Shareholders' funds 1  
K586.5m.
- Borrowings 2  
K46.4m.
- Amount owed to 3  
creditors & for current  
income tax K71.9m.
- Dividends payable 4  
K8.0m.
- Income tax deferred 5  
K26.0m.



**Assets: K738.8m.**

- 6 Net investment in  
property, plant &  
equipment K576.3m.
- 7 Stocks & stores  
K54.6m.
- 8 Amount owed by  
debtors K83.9m.
- 9 Cash at bank  
K14.4m.
- 10 Income tax benefits  
not yet realised K9.6m.

# Notes to the Accounts

These notes form part of the 1984 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 Papua New Guinea and Australian Accounting Standards and conform in all material respects with International Accounting Standards. 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 twenty years 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, research and development is written off or provided against 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 to the buyer which is usually 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 each shipment has arrived at its destination. Realistic 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 outturn adjustments are recognised in the following year.

### **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. During 1983 the standard company income tax rate was reduced from 36.5% to 35% effective from the 1st of January 1983. The income tax expense for 1983 includes the tax effect (K481,000) of this reduction on cumulative timing differences brought forward from the previous year.

### **Foreign Currency:**

Monetary assets and liabilities in foreign currencies are converted to Papua New Guinea currency at the rates of exchange ruling at balance date. All other overseas transactions are converted at the rates of exchange applying when they occurred. Unrealised exchange gains and losses on overseas borrowings are amortised over the period of the related borrowings, with the unamortised balance being reflected in the balance sheet under exchange fluctuation.

### **Subsidiaries:**

The Company has two wholly owned subsidiaries. Bougainville Copper Finance N.V. is incorporated in the Netherlands Antilles for fund raising purposes. BCL (Hong Kong) Limited, incorporated in Hong Kong, arranges shipping contracts on behalf of the Company. These companies have been consolidated in accordance with conventional consolidation principles.

		Bougainville Copper Limited	
		1984	1983
Consolidated		K'000	K'000
1984	1983		
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	3 234	2 703	3 231	2 703
Expenses:				
Interest – on long term loan from subsidiary	–	–	409	1 214
– on long term loans and standby facilities	6 424	9 000	6 424	7 786
– other	50	47	50	47
Provision for doubtful debts in respect of other debtors	–	23	–	23
Bad debts in respect of other debtors	1	1	1	1
Depreciation – on buildings	17 965	17 297	17 965	17 297
– on plant, machinery and equipment	26 663	27 809	26 663	27 809
Amortisation – of mine property	1 770	1 770	1 770	1 770
– of borrowing expenses	139	148	139	148
Loss on disposal and retirement of fixed assets	119	1 940	119	1 940
Loss on sale of investments	68	–	68	–
Research and development expenditure	256	391	256	391
Directors' emoluments (Note 12)	8	8	8	8
Auditors' remuneration – auditing the accounts	85	86	84	86
– other services	30	31	30	31
(The auditors have received no other benefits)				

## 3. Taxation

(a) Taxation on earnings for the year comprises:

Current	13 668	43 245	13 668	43 245
Future	1 150	4 056	1 150	4 056
	<u>14 818</u>	<u>47 301</u>	<u>14 818</u>	<u>47 301</u>
Adjustments relating to previous years:				
Current	419	(63)	419	(63)
Future (including effect of decrease in company income tax rate – refer Note 1)	(3)	(275)	(3)	(275)
	<u>15 234</u>	<u>46 963</u>	<u>15 234</u>	<u>46 963</u>

(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	9 392	35 568	9 395	35 564
Permanent differences				
– double deduction allowable	(1 123)	(350)	(1 123)	(350)
– non allowable depreciation	5 382	6 200	5 382	6 200
– net losses not deductible	1 330	5 887	1 330	5 887
– other	(163)	(4)	(166)	–
Adjustments relating to previous year	416	(338)	416	(338)
	<u>15 234</u>	<u>46 963</u>	<u>15 234</u>	<u>46 963</u>

(c)				
<b>Deferred income tax liability:</b>				
Balance 1 January	22 548	16 973	22 548	16 973
Charged to earnings: current year	3 450	6 084	3 450	6 084
prior year adjustments including effect of tax rate change – refer Note 1	(3)	(509)	(3)	(509)
Balance 31 December	<u>25 995</u>	<u>22 548</u>	<u>25 995</u>	<u>22 548</u>

(d)				
<b>Future income tax benefit:</b>				
Balance 1 January	7 273	5 479	7 273	5 479
Credited to earnings: current year	2 299	2 028	2 299	2 028
prior year adjustments including effect of tax rate change – refer Note 1	–	(234)	–	(234)
Balance 31 December	<u>9 572</u>	<u>7 273</u>	<u>9 572</u>	<u>7 273</u>

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.

## 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 1984.

	Consolidated		Bougainville Copper Limited	
	1984	1983	1984	1983
	K'000	K'000	K'000	K'000

## 5. Exchange fluctuation

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

Balance of unrealised (losses) 1 January	(4 723)	(5 387)	(4 723)	(5 387)
Decrease due to currency movements during the year	(4 346)	(16 241)	(4 346)	(16 241)
Net amount debited to earnings	3 800	16 905	3 800	16 905
Balance of unrealised (losses) 31 December	<u>(5 269)</u>	<u>(4 723)</u>	<u>(5 269)</u>	<u>(4 723)</u>

(b) The net exchange (losses)/gains reflected in earnings arise from:

Overseas borrowings	(3 800)	(16 905)	(3 800)	(16 905)
Overseas cash balances	1 041	580	1 041	580
Net exchange (losses)	<u>(2 759)</u>	<u>(16 325)</u>	<u>(2 759)</u>	<u>(16 325)</u>

## 6. Long term loans

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

within one year	21 813	25 544	21 813	25 544
later than one year	29 849	31 123	29 849	31 123
Total outstanding obligations	<u>51 662</u>	<u>56 667</u>	<u>51 662</u>	<u>56 667</u>

All loans are unsecured.

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

Bank loans	Interest		Repayable			
	Rate 1984					
Papua New Guinea Banking Corporation (kina)	11.00%	1984-85	2 000	4 000	2 000	4 000
Revolving Credit Facility – Consortium of 19 banks (US dollars)	10.93%	1987-91	23 676	21 964	23 676	21 964
Standby Credit Facilities – Commonwealth Bank of Australia (US dollars)	10.79%	1985	18 270	–	18 270	–
Bank of America (US dollars)	–	1984	–	8 712	–	8 712
			<u>43 946</u>	<u>34 676</u>	<u>43 946</u>	<u>34 676</u>
Other loans						
E.F.I.C. crusher loan (Aust. dollars)	8.75%	1984	–	333	–	333
Bearer Notes due 1984 (US dollars)	8.75%	1984	–	13 062	–	–
Loan from subsidiary (US dollars)	8.75%	1984	–	–	–	13 062
John Brown Engineering (US dollars)	7.75%	1984-89	7 716	8 596	7 716	8 596
			<u>7 716</u>	<u>21 991</u>	<u>7 716</u>	<u>21 991</u>
Total outstanding obligations			<u>51 662</u>	<u>56 667</u>	<u>51 662</u>	<u>56 667</u>

## 7. Creditors

Related corporations:

Subsidiary companies	–	–	291	764
Other	1 794	1 688	1 794	1 687
Trade creditors	32 823	28 954	32 532	28 190
Other creditors	16 665	14 516	16 650	14 507
Total	<u>51 282</u>	<u>45 158</u>	<u>51 267</u>	<u>45 148</u>

## 8. Investments

Unquoted shares at cost in:

Subsidiary companies	–	–	9	9
Other companies	156	285	156	285
Total	<u>156</u>	<u>285</u>	<u>165</u>	<u>294</u>

## 9. Property, plant and equipment

(a) Mine development & buildings

– at directors' 1980 valuation	293 791	294 209	293 791	294 209
Less accumulated depreciation	76 249	61 240	76 249	61 240
	<u>217 542</u>	<u>232 969</u>	<u>217 542</u>	<u>232 969</u>
– at cost	71 455	61 441	71 455	61 441
Less accumulated depreciation	8 814	5 951	8 814	5 951
	<u>62 641</u>	<u>55 490</u>	<u>62 641</u>	<u>55 490</u>
	<u>280 183</u>	<u>288 459</u>	<u>280 183</u>	<u>288 459</u>

	Consolidated		Bougainville Copper Limited	
	1984 K'000	1983 K'000	1984 K'000	1983 K'000
<b>9. Property, plant and equipment continued</b>				
(b) Plant, machinery & equipment				
– at directors' 1980 valuation	264 844	267 810	264 844	267 810
Less accumulated depreciation	93 559	78 543	93 559	78 543
	<u>171 285</u>	<u>189 267</u>	<u>171 285</u>	<u>189 267</u>
– at cost	113 012	97 247	113 012	97 247
Less accumulated depreciation	23 087	14 967	23 087	14 967
	<u>89 925</u>	<u>82 280</u>	<u>89 925</u>	<u>82 280</u>
	<u>261 210</u>	<u>271 547</u>	<u>261 210</u>	<u>271 547</u>
(c) Mine property				
– at cost	62 121	62 121	62 121	62 121
Less accumulated amortisation	35 582	33 811	35 582	33 811
	<u>26 539</u>	<u>28 310</u>	<u>26 539</u>	<u>28 310</u>
(d) Capitalised borrowing expenses				
– at cost	782	782	782	782
Less accumulated amortisation	508	369	508	369
	<u>274</u>	<u>413</u>	<u>274</u>	<u>413</u>
(e) Capitalised works in progress				
– at cost	8 009	6 216	8 009	6 216
Total – at cost or valuation	<u>814 014</u>	<u>789 826</u>	<u>814 014</u>	<u>789 826</u>
Less accumulated depreciation/amortisation	<u>237 799</u>	<u>194 881</u>	<u>237 799</u>	<u>194 881</u>
Net book value	<u>576 215</u>	<u>594 945</u>	<u>576 215</u>	<u>594 945</u>

<b>10. Other debtors</b>				
Related corporations	1 658	622	1 658	622
Other debtors and payments in advance	5 577	4 427	5 573	4 669
Provision for doubtful debts	(36)	(43)	(36)	(43)
Total	<u>7 199</u>	<u>5 006</u>	<u>7 195</u>	<u>5 248</u>

<b>11. Stocks and stores</b>				
Unshipped concentrate	2 831	5 616	2 831	5 616
Stores	52 706	50 825	52 706	50 825
Provision for stores obsolescence	(1 000)	(365)	(1 000)	(365)
Total	<u>54 537</u>	<u>56 076</u>	<u>54 537</u>	<u>56 076</u>

	1984		1983	
	Company K'000	Related K'000	Company K'000	Related K'000
<b>12. Directors' emoluments</b>				
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	8	32	8	32
No commissions for subscribing for, or agreeing to procure subscriptions for any shares in or debentures of the Company or any related corporation, 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 K8 941 000 (1983: K5 311 000).  
Lease commitments not reflected in the financial statements total approximately K3 622 000 (1983: K8 078 000).

**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 K3 968 000 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.  
Bougainville Copper Limited has guaranteed the performance of its subsidiary BCL (Hong Kong) Limited in its obligations under a lease agreement with Citicorp Commercial Finance (Hong Kong) Limited to a limit of US\$1 000 000.

**15. Mining Tenements**  
The Company holds 100% interest in leases: 1, B9, B6, B8, B7, B2, B10, B3 and prospecting authorities 1, 2, 3, 4, 5, 6, 7A and 7B on Bougainville Island.

**16. Ultimate holding company**  
The ultimate holding company is The Rio Tinto-Zinc Corporation PLC (incorporated in England).

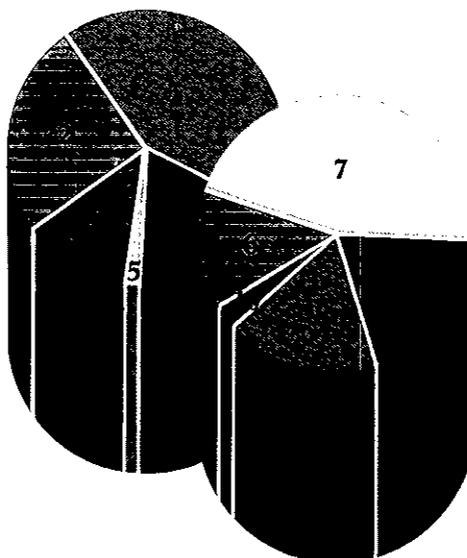
# Funds Statement

year ended 31 December, 1984  
Bougainville Copper Limited

	Consolidated	
	1984 K'000	1983 K'000
<b>Sources of Funds</b>		
Funds from operations		
Operating Profit before tax	26 835	101 623
Add non fund items:		
Amortisation of unrealised exchange losses	464	2 058
Provision for long service leave	3 718	758
Depreciation and amortisation	46 537	47 024
Loss on disposal of fixed assets	119	1 941
	<u>50 838</u>	<u>51 781</u>
Investments	129	-
Loan drawdowns	87 321	238 083
Proceeds on disposal of fixed assets	1 042	342
Net decrease in working capital (see below)	38 547	-
<b>Total sources of funds:</b>	<u>204 712</u>	<u>391 829</u>
<b>Applications of Funds</b>		
Capital expenditure	28 968	21 433
Loan repayments	93 336	304 582
Payment of dividends	40 106	30 080
Payment of income tax	39 442	13 200
Payment of long service leave	2 860	500
Investments	-	140
Net increase in working capital (see below)	-	21 894
<b>Total applications of funds:</b>	<u>204 712</u>	<u>391 829</u>
<b>Movements in working capital</b>		
Bank balances and short term deposits	(20 937)	27 056
Debtors for sale of concentrate	(12 140)	(1 266)
Other debtors	2 193	205
Stocks and stores	(1 539)	3 491
Creditors	(6 124)	(7 592)
Net increase/(decrease) in working capital	<u>(38 547)</u>	<u>21 894</u>

## Sources of Funds

- Operating profit 1  
K26.8m.
- Non fund items 2  
K50.8m.
- Loan drawdowns 3  
K87.3m.
- Decrease in working capital 4  
K38.6m.
- Other 5  
K1.2m.



## Application of Funds

- 6 Capital expenditure  
K29.0m.
- 7 Loan repayments  
K93.3m.
- 8 Payment of dividends  
K40.1m.
- 9 Payment of income tax  
K39.4m.
- 10 Payment of long service leave  
K2.9m.

# Declarations

## Statement by Directors

In the opinion of the Directors of Bougainville Copper Limited the accompanying statements of earnings are drawn up so as to give a true and fair view of the results of the business of the Company and 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 14th day of February, 1985.

On behalf of the Board

D. C. VERNON

Chairman.

P. W. QUODDLING

Managing Director.

## Declaration by Secretary

I, Andrew Warrock Patterson, Secretary of Bougainville Copper Limited, do solemnly and sincerely declare that the accompanying balance sheets and statements of earnings 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 14th day of February, 1985.

A. W. PATTERSON

Secretary.

Before me:

M. S. LELA

Commissioner for Oaths.

## Report of the Auditors to the Members

We report on the accompanying balance sheets and statements of earnings of the Company and its subsidiaries set out on pages 18 to 24 which have been prepared under the cost convention described in Note 1 and the consolidated funds statement.

In our opinion these balance sheets, statements of earnings and funds statement are properly drawn up in accordance with the provisions of the Companies Act (Chapter 146), and so as to give a true and fair view of the state of affairs of the Company and its subsidiaries as at 31st December, 1984, and the results for the year ended on that date.

In our opinion the accounting and other records, including registers, examined by us have been properly kept in accordance with the provisions of the Act.

COOPERS & LYBRAND

by B. J. Davies

Registered under the Accountants Registration Act (Chapter 89).

Arawa, 14th February, 1985.

# Shareholdings

## Distribution of shares

As at 13th February, 1985:

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 30 435.

The distribution of holdings of the issued shares was:

1- 99 shares	7 193
100- 1 000 shares	16 555
1 001- 5 000 shares	5 573
5 001-10 000 shares	662
10 001 shares and over	452
<b>Total shareholders</b>	<b>30 435</b>

88.49% of the total issued shares were held by the 20 largest shareholders. The substantial shareholders were: CRA Limited and its wholly-owned subsidiary C.R.A. 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 C.R.A. Base Metals Pty. Limited. The Independent State of Papua New Guinea, and The Investment Corporation of Papua New Guinea - 80 978 062 shares (20.2%).

## Ten largest shareholders

The ten largest shareholders at 13th February, 1985, 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.	18 751 791
National Nominees Limited, Melbourne, Vic.	12 469 556
Isit Nominees Pty Ltd. Melbourne, Vic.	5 666 773
The Investment Corporation of Papua New Guinea, Port Moresby, P.N.G.	4 553 638
C.R.A. Base Metals Pty. Limited, Melbourne, Vic.	4 099 452
Bougainville Copper Foundation Limited, Panguna, P.N.G.	3 600 000
Bank of New South Wales Nominees Pty. Ltd., Sydney, N.S.W.	3 378 439
Darling Nominees Pty. Ltd.	2 467 870
	<u>342 206 842</u>

## Directors' interests

Directors' interests in the share capital of the Company and its related companies as at 21st January, 1985 were:

D. C. Vernon	No interests
Sir Frank Espie, O.B.E.	750 BCL shares 626 CRA shares
R. H. Harding	7 083 CRA shares 504 BCL shares 1 000 MKU shares 1 149 COM shares
P. W. Quodding	No interests
J. T. Ralph	171 BCL shares 690 CRA shares
W. D. Searson	3 500 BCL shares

Abbreviations:

BCL - Bougainville Copper Limited

CRA - CRA Limited

MKU - Mary Kathleen Uranium Limited

COM - Comalco Limited

# Statistical Summary

	1984	1983	1982	1981	1980	1979	
<b>Financial</b>							
<b>Earnings (K million)</b>							
Net sales revenue and other income	310.9	392.9	283.2	296.4	338.7	343.1	
Operating and other expenses	234.8	228.1	207.2	210.8	174.8	144.1	
Depreciation	46.5	47.0	44.2	43.3	43.8	40.7	
Earnings before taxation and exchange gains	29.6	117.8	31.8	42.3	120.1	158.3	
Exchange gains	(2.8)	(16.3)	(3.3)	1.1	2.6	3.5	
Earnings before taxation	26.8	101.5	28.5	43.4	122.7	161.8	
Taxation	15.2	46.9	17.3	20.6	51.2	77.9	
Net earnings	11.6	54.6	11.2	22.8	71.5	83.9	
Dividends	16.0	52.1	10.0	20.1	64.2	80.2	
Earnings retained	(4.4)	2.5	1.2	2.7	7.3	3.7	
<b>Balance sheet (K million)</b>							
Property, plant and equipment	576.2	594.9	622.8	611.2	610.8	325.4	
Investments	0.2	0.3	0.1	0.1	0.1	0.1	
Current assets	152.9	185.3	155.9	148.7	148.4	201.0	
Total assets	729.3	780.5	778.8	760.0	759.3	526.5	
Shareholders' funds	586.5	590.9	588.4	587.2	584.5	294.5	
Exchange fluctuation	(5.3)	(4.7)	(5.4)	1.5	5.1	5.4	
Long term liabilities	52.5	51.6	125.6	80.1	25.7	36.2	
Current liabilities	95.6	142.7	70.2	91.2	144.0	190.4	
Funds employed	729.3	780.5	778.8	760.0	759.3	526.5	
<b>Production/Sales</b>							
<b>Mined</b>							
Ore and waste removed	(millions of tonnes)	74.74	81.00	76.22	77.56	79.76	75.97
Ore milled	(millions of tonnes)	46.52	47.73	41.74	37.53	37.62	36.17
Ore grade							
Copper	(per cent)	0.42	0.46	0.47	0.51	0.46	0.55
Gold	(grams/tonne)	0.48	0.55	0.60	0.59	0.50	0.75
Silver	(grams/tonne)	1.34	1.42	1.48	1.55	1.47	1.70
<b>Produced</b>							
Concentrate	(thousands of dry tonnes)	542.3	636.9	598.6	576.4	510.4	584.7
Contained copper	(thousands of dry tonnes)	164.4	183.2	170.0	165.4	146.8	170.8
Concentrate grade							
Copper	(per cent)	30.3	28.8	28.4	28.7	28.8	29.2
Gold	(grams/tonne)	28.9	28.3	29.3	29.2	27.5	33.7
Silver	(grams/tonne)	81.9	74.4	72.1	73.5	72.2	76.3
<b>Shipped</b>							
Total concentrate	(thousands of dry tonnes)	550.8	636.1	599.6	596.2	494.4	586.5
Shipped to:							
W. Germany		144.4	216.7	217.1	206.0	163.7	187.6
Japan		286.1	298.7	279.7	296.9	269.4	328.2
Spain		52.6	50.5	53.3	64.7	41.0	49.0
Other		67.7	70.2	49.5	28.6	20.3	21.7
<b>Values</b>							
Gross concentrate sales value (before treatment and refining charges, freight, etc.)	(K million)	373.4	454.6	343.6	355.2	386.3	407.0
Contribution by:							
Copper	(per cent)	53	52	51	54	51	60
Gold	(per cent)	45	46	47	44	46	37
Silver	(per cent)	2	2	2	2	3	3
<b>Other</b>							
Average metal prices							
L.M.E. copper	(US\$/lb)	62.4	71.9	67.1	79.0	99.2	89.8
London gold market	(US\$/oz.)	360.8	423.5	375.6	459.9	614.7	304.7
London silver market	(US\$/oz.)	8.1	11.4	7.9	10.5	21.0	11.0
Return on shareholders' funds (%)		2.0	9.3	1.9	3.9	12.2	28.5
Earnings per share (toea)***		2.9	13.6	2.8	5.7	17.8	20.9
Dividends in toea per fully paid share***							
(par value, one kina) (1984 interim 2t/share)		4.0	13.0	2.5	5.0	16.0	20.0
Bonus dividend in toea per fully paid share***		—	—	—	—	4.0	6.7
Number of shares issued at end of year (millions)		401	401	401	401	401	267
Number of shareholders at end of year		30 435	32 834	36 486	38 027	38 326	38 750
Debt/equity ratio		0.09/1	0.10/1	0.20/1	0.17/1	0.05/1	0.15/1
Work force at end of year (P.N.G.)							
Overseas		749	751	756	801	877	851
National		2 987	3 058	3 174	3 377	3 416	3 314

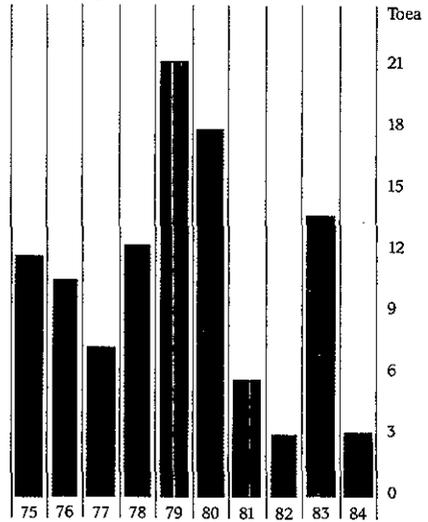
Notes: \* Full year figures, but commercial production commenced 1 April 1972

\*\* 1972 figure is for Bougainville Mining Limited

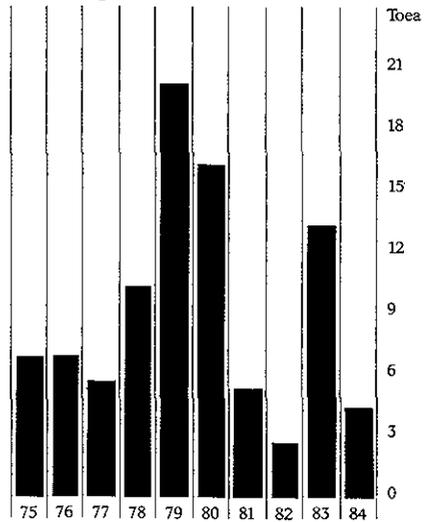
\*\*\* 1972 to 1979 figures are after adjustment for the 1980 capital reconstruction

1978	1977	1976	1975	1974	1973	1972*
225.1	205.3	208.9	193.1	292.6	252.4	95.9
125.0	126.8	117.5	107.2	92.5	81.8	53.3
40.4	36.2	31.1	29.6	28.5	24.8	14.5
59.7	42.3	60.3	56.3	171.6	145.8	28.1
10.3	(0.1)	1.3	2.3	9.5	12.9	(0.4)
70.0	42.2	61.6	58.6	181.1	158.7	27.7
22.0	13.7	20.3	12.4	66.5	0.3	-
48.0	28.5	41.3	46.2	114.6	158.4	27.7
40.1	21.4	26.7	26.7	73.5	81.4	11.0
7.9	7.1	14.6	19.5	41.1	77.0	16.7
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	-
125.8	137.1	136.0	129.5	205.6	130.4	73.9
466.0	489.4	486.5	475.6	557.9	502.2	452.6
317.5	309.7	302.5	287.9	268.4	227.4	146.7
9.0	14.6	9.0	11.5	19.1	39.5	24.2
42.1	53.3	101.7	106.8	121.1	127.5	204.0
97.4	111.8	73.3	69.4	149.3	107.8	77.7
466.0	489.4	486.5	475.6	557.9	502.2	452.6
79.05	70.79	58.54	56.40	56.00	56.65	46.75
38.12	34.11	31.21	31.08	30.14	29.14	21.89
0.60	0.61	0.64	0.64	0.70	0.73	0.76
0.82	0.90	0.87	0.80	1.02	1.03	0.77
1.80	1.86	1.96	1.87	2.12	1.99	2.06
658.6	615.6	596.8	595.5	640.8	650.2	438.1
198.6	182.3	176.5	172.5	184.1	182.9	124.0
30.2	29.6	29.6	28.9	28.7	28.1	28.3
35.5	36.3	33.9	30.5	32.0	31.6	27.3
79.8	77.1	76.1	71.0	72.0	69.0	69.3
640.9	614.8	605.8	587.0	665.8	625.2	434.4
206.8	198.3	223.2	243.5	221.4	200.3	186.8
326.7	337.1	256.4	250.7	343.2	342.9	209.0
62.1	47.0	58.2	72.2	57.4	35.8	27.6
45.3	32.4	68.0	20.6	43.8	46.2	11.0
294.5	266.3	260.3	219.4	307.4	270.8	118.8
64	66	74	69	74	83	83
34	32	24	29	25	16	16
2	2	2	2	1	1	1
61.9	59.3	63.6	55.9	93.3	80.9	48.6
193.5	147.8	124.8	160.9	158.7	97.3	58.2
5.4	4.6	4.4	4.4	4.7	2.5	1.7
15.1	9.2	13.7	16.0	42.7	69.7	18.9
12.0	7.1	10.3	11.5	28.6	39.5	6.9
10.0	5.3	6.7	6.7	18.3	20.0	2.7
-	-	-	-	-	-	-
267	267	267	267	267	267	260**
40 935	43 820	50 082	54 129	55 558	45 353	46 726
0.19/1	0.37/1	0.40/1	0.44/1	0.52/1	0.72/1	1.62/1
855	853	858	942	980	929	971
3 243	3 063	2 989	3 094	3 242	2 915	2 594

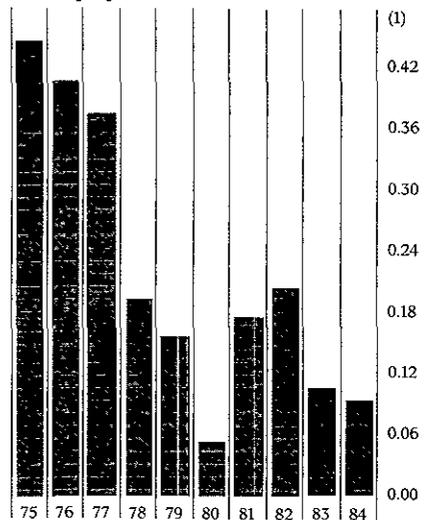
Earnings per share



Dividend per share



Debt equity ratio



# Current Cost Accounting

The information presented in Historical Cost Accounts (HCA) can be misleading since full recognition is not given to the impact of price changes on the funds needed to maintain the assets employed by the Company. The need to remedy the defects in the traditional HCA accounts has focused attention on various proposals, one of which, Current Cost Accounting (CCA), is gaining international acceptance. The Company's earnings on an HCA basis are overstated in times of rising prices because of the failure to recognise the increased cost of replacing stocks and other assets required to maintain the business as a going concern. Therefore, under CCA principles, adjustments are made to measure the effect of specific price changes on the cost of services derived by the Company from use of its assets. However, because these assets have been financed partly by borrowing, a gearing adjustment is also necessary to arrive at the earnings, adjusted for specific price changes, which are attributable to shareholders. CCA is still largely in the experimental phase and further testing is required before a definitive system is established. However, the subjectivity that enters into the preparation of the CCA accounts is compensated for by increased realism and relevance of information presented in these financial statements. The Company prepares CCA statements in accordance with the Statement of Standard Accounting Practice No. 16, Current Cost Accounting, issued by the Accounting Standards Committee of the United Kingdom in March 1980.

## Current Cost Statement of Earnings

Bougainville Copper Limited  
and Subsidiary Companies  
1984  
K'000

1983  
K'000

Income	310 857	392 859
Costs and expenses excluding interest	274 789	265 864
<b>Historical cost earnings before interest</b>	<b>36 068</b>	126 995
Less:		
Current cost operating adjustments (refer below)	29 202	25 475
<b>Current cost earnings from operations</b>	<b>6 866</b>	101 520
Interest on net borrowing	6 474	9 047
	392	92 473
Net exchange losses	2 759	16 325
<b>Current cost earnings before taxation</b>	<b>(2 367)</b>	76 148
Income tax	15 234	46 963
Current cost (losses)/earnings attributable to entity	(17 601)	29 185
Add:		
Gearing adjustment	3 135	4 396
<b>Current cost earnings attributable to shareholders</b>	<b>(14 466)</b>	33 581
Add:		
Current cost retained earnings brought forward	95 304	113 861
	80 838	147 442
Less:		
Dividends	16 042	52 138
<b>Current cost retained earnings carried forward</b>	<b>64 796</b>	95 304

## Current cost operating adjustments:

Cost of sales	8 127	2 911
Monetary working capital	1 567	7 106
<b>Working capital</b>	<b>9 694</b>	10 017
Depreciation	18 443	15 246
Disposals of property, plant and equipment	1 065	212
<b>Property, plant and equipment</b>	<b>19 508</b>	15 458
	29 202	25 475

## Current Cost Balance Sheet

### Funds employed by the group:

<b>Shareholders' funds</b>		
Paid up capital	401 063	401 063
Current cost reserve	443 092	386 619
Retained earnings	64 796	95 304
	908 951	882 986
Exchange fluctuation	(5 269)	(4 723)
Non-current liabilities	61 979	58 948
Current liabilities	95 625	142 652
<b>Total funds</b>	<b>1 061 286</b>	1 079 863
<b>These funds are represented by:</b>		
Future income tax benefit	9 572	7 273
Investments	156	285
Property, plant and equipment	896 732	880 312
Stocks and stores	56 468	62 751
Other current assets	98 358	129 242
<b>Total assets</b>	<b>1 061 286</b>	1 079 863





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**Bougainville Copper Limited**  
**Annual Report 1984**

# Statement of Value Added

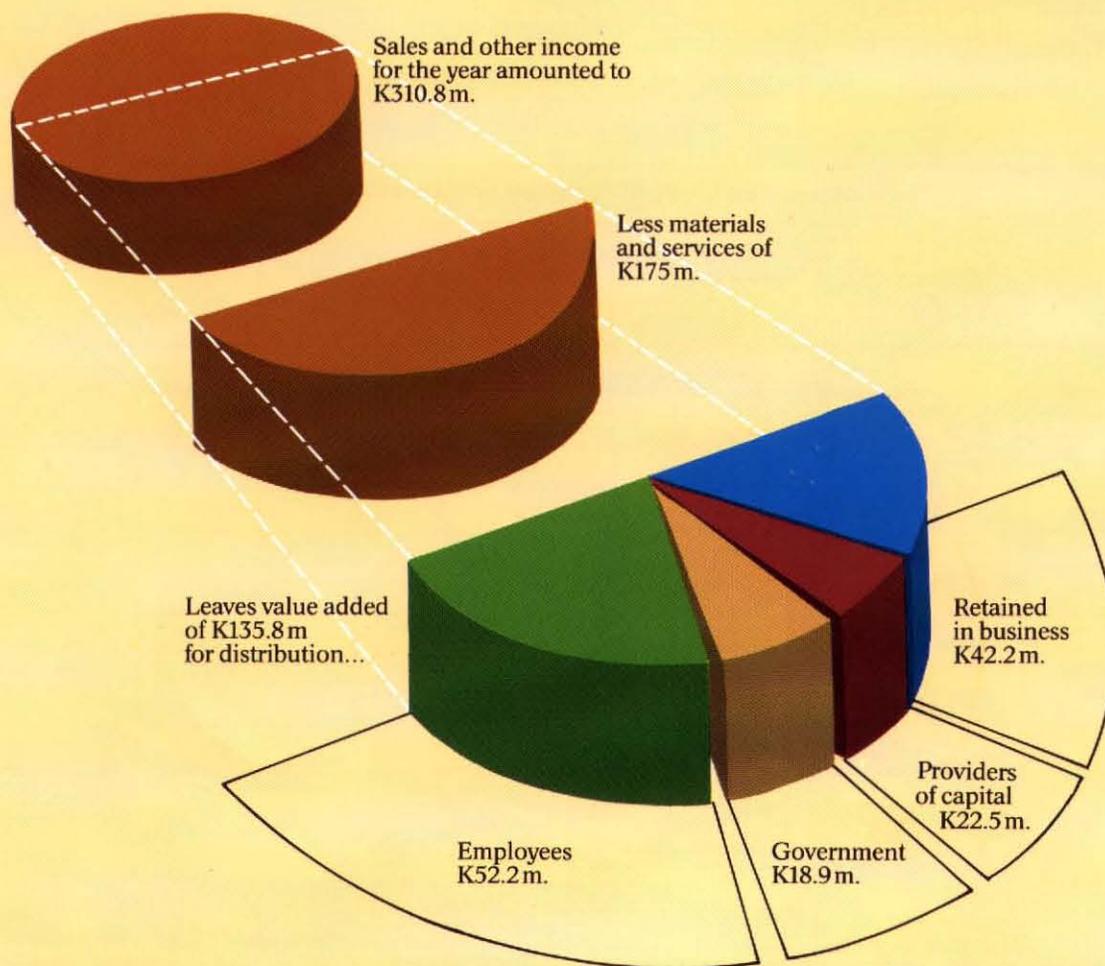
A country's economy is largely made up of the activities of employers and employees and the contribution they make to that economy is known as the Value Added.

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 National 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.

	1984 K mill.	1983 K mill.
<b>Value added</b>		
Sales made to external customers	307.6	389.9
Less: Materials and services brought in from outside the Company	<u>175.0</u>	<u>183.2</u>
	132.6	206.7
Add: Other income	<u>3.2</u>	<u>3.0</u>
Total Value Added available for distribution	<u>135.8</u>	<u>209.7</u>
<b>Distribution</b>		
Wages, salaries and benefits to EMPLOYEES	52.2	47.4
Taxation and royalties to GOVERNMENT	18.9	51.7
To PROVIDERS OF CAPITAL		
Dividends to shareholders	16.0	52.1
Interest to lenders	6.5	9.0
RETAINED in business to provide for asset replacement, expansion and protection of the Company and its employees in less favourable times.		
Depreciation and amortisation	46.6	47.0
Retained earnings	<u>(4.4)</u>	<u>2.5</u>
Total Value Added distributed	<u>135.8</u>	<u>209.7</u>

## Distribution of Value Added



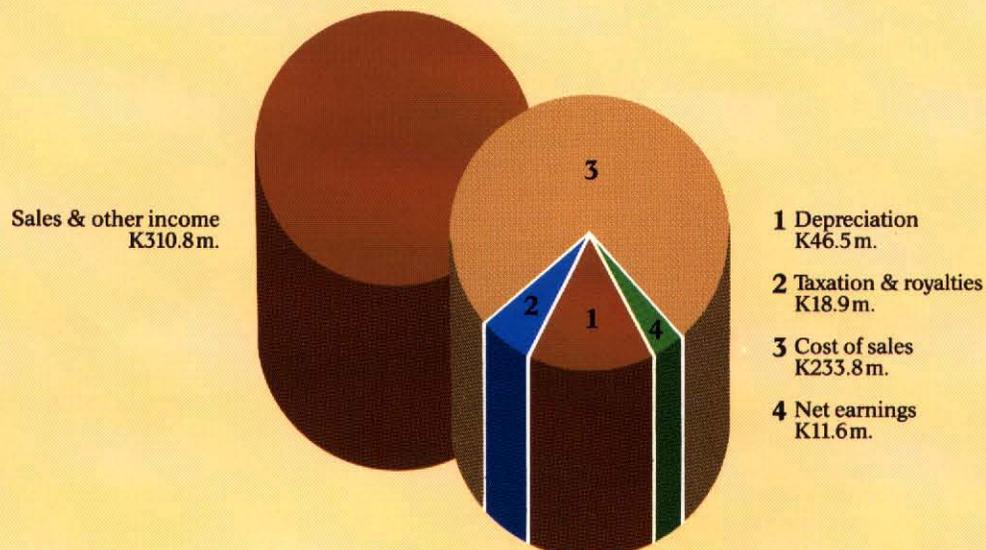
# Statements of Earnings

year ended 31 December, 1984  
Bougainville Copper Limited

	Notes	Consolidated		Bougainville Copper Limited	
		1984 K'000	1983 K'000	1984 K'000	1983 K'000
<b>Income</b>					
Net sales revenue		307 626	389 870	307 626	389 870
Other income (net)		3 231	2 989	3 231	2 989
		<u>310 857</u>	<u>392 859</u>	<u>310 857</u>	<u>392 859</u>
<b>Costs and expenses</b>					
Costs of sales, general and administration expenses		224 536	214 102	224 529	214 114
Depreciation and amortisation		46 537	47 024	46 537	47 024
Government royalties		3 716	4 738	3 716	4 738
Interest		6 474	9 047	6 474	9 047
		<u>281 263</u>	<u>274 911</u>	<u>281 256</u>	<u>274 923</u>
Net exchange losses	5	2 759	16 325	2 759	16 325
<b>Earnings before taxation</b>	2	<u>26 835</u>	<u>101 623</u>	<u>26 842</u>	<u>101 611</u>
Income tax	3	15 234	46 963	15 234	46 963
<b>Net earnings for year</b>		<u>11 601</u>	<u>54 660</u>	<u>11 608</u>	<u>54 648</u>
Add:					
Retained earnings brought forward		158 605	156 083	158 598	156 088
		<u>170 206</u>	<u>210 743</u>	<u>170 206</u>	<u>210 736</u>
Less:					
<b>Ordinary dividends</b>					
Interim paid		8 021	20 053	8 021	20 053
Final payable		8 021	32 085	8 021	32 085
		<u>16 042</u>	<u>52 138</u>	<u>16 042</u>	<u>52 138</u>
<b>Retained earnings carried forward</b>		<u>154 164</u>	<u>158 605</u>	<u>154 164</u>	<u>158 598</u>

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



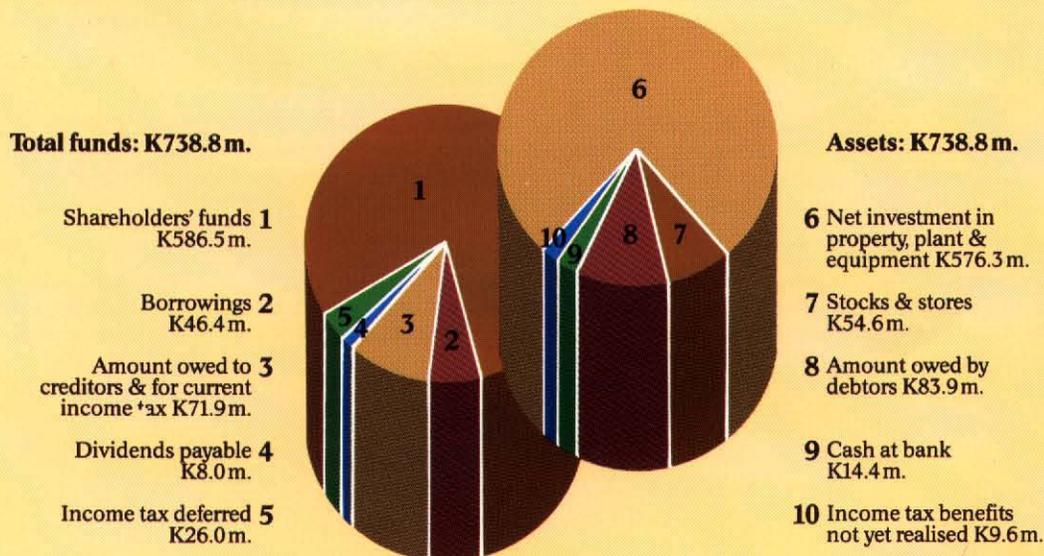
# Balance Sheets

at 31 December, 1984  
Bougainville Copper Limited

	Notes	Consolidated		Bougainville Copper Limited	
		1984 K'000	1983 K'000	1984 K'000	1983 K'000
<b>Funds employed by the group:</b>					
<b>Shareholders' funds</b>					
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		154 164	158 605	154 164	158 598
		<u>586 503</u>	<u>590 944</u>	<u>586 503</u>	<u>590 937</u>
<b>Exchange fluctuation</b>	5	<u>(5 269)</u>	<u>(4 723)</u>	<u>(5 269)</u>	<u>(4 723)</u>
<b>Non-current liabilities</b>					
Deferred income tax liability	3	25 995	22 548	25 995	22 548
Loans	6	29 849	31 123	29 849	31 123
Provision for long service leave		6 135	5 277	6 135	5 277
		<u>61 979</u>	<u>58 948</u>	<u>61 979</u>	<u>58 948</u>
<b>Current liabilities</b>					
Loans	6	21 813	25 544	21 813	25 544
Creditors	7	51 282	45 158	51 267	45 148
Income tax		14 509	39 865	14 509	39 865
Dividends payable		8 021	32 085	8 021	32 085
		<u>95 625</u>	<u>142 652</u>	<u>95 610</u>	<u>142 642</u>
<b>Total funds</b>		<u>738 838</u>	<u>787 821</u>	<u>738 823</u>	<u>787 804</u>
<b>These funds are represented by:</b>					
<b>Non-current assets</b>					
Future income tax benefit	3	9 572	7 273	9 572	7 273
Investments	8	156	285	165	294
Property, plant and equipment	9	576 215	594 945	576 215	594 945
		<u>585 943</u>	<u>602 503</u>	<u>585 952</u>	<u>602 512</u>
<b>Current assets</b>					
Bank balances and short term deposits		14 439	35 376	14 419	35 108
Debtors for sale of concentrate		76 720	88 860	76 720	88 860
Other debtors	10	7 199	5 006	7 195	5 248
Stocks and stores	11	54 537	56 076	54 537	56 076
		<u>152 895</u>	<u>185 318</u>	<u>152 871</u>	<u>185 292</u>
<b>Total assets</b>		<u>738 838</u>	<u>787 821</u>	<u>738 823</u>	<u>787 804</u>
<b>Commitments</b>	13				
<b>Contingent liabilities</b>	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



# Funds Statement

year ended 31 December, 1984  
Bougainville Copper Limited

	1984		Consolidated	
	K'000	K'000	K'000	K'000
<b>Sources of Funds</b>				
Funds from operations				
Operating Profit before tax		26 835		101 623
Add non fund items:				
Amortisation of unrealised exchange losses	464		2 058	
Provision for long service leave	3 718		758	
Depreciation and amortisation	46 537		47 024	
Loss on disposal of fixed assets	119		1 941	
		50 838		51 781
Investments		129		-
Loan drawdowns		87 321		238 083
Proceeds on disposal of fixed assets		1 042		342
Net decrease in working capital (see below)		38 547		-
<b>Total sources of funds:</b>		<u>204 712</u>		<u>391 829</u>
<b>Applications of Funds</b>				
Capital expenditure		28 968		21 433
Loan repayments		93 336		304 582
Payment of dividends		40 106		30 080
Payment of income tax		39 442		13 200
Payment of long service leave		2 860		500
Investments		-		140
Net increase in working capital (see below)		-		21 894
<b>Total applications of funds:</b>		<u>204 712</u>		<u>391 829</u>
<b>Movements in working capital</b>				
Bank balances and short term deposits		(20 937)		27 056
Debtors for sale of concentrate		(12 140)		(1 266)
Other debtors		2 193		205
Stocks and stores		(1 539)		3 491
Creditors		(6 124)		(7 592)
Net increase/(decrease) in working capital		<u>(38 547)</u>		<u>21 894</u>

