



BOUGAINVILLE COPPER LIMITED

INCORPORATED IN PAPUA NEW GUINEA ARBN 007 497 869

P.O.BOX 1274, PORT MORESBY, PAPUA NEW GUINEA

TEL: (675) 321 2044 FAX: (675) 321 3634

Press Release

19 April 2011

Company Announcements Office
Australian Stock Exchange Limited

Dear Sir/Madam,

**Annual General Meeting – 19 April 2011
Bougainville Copper**

The attached material will be presented at the Annual General meeting in Port Moresby, Papua New Guinea today.

This presentation will be posted on the Bougainville Copper website www.bougainvillecopper.com.pg

Yours faithfully,

Paul Coleman
Company Secretary



Chairman's Annual General Meeting Statement

Ladies and Gentlemen, I am Peter Taylor, your chairman, and I thank you for joining us at this 44th Annual General Meeting of Bougainville Copper Limited. I will now present my report on the year 2010.

Results

First a summary of the results contained in the Annual Report.

For the year ended 31 December 2010 the net profit was K2.8 million (AUD1.1 million), compared with a profit of K8.7 million (AUD4.3 million) in the previous year.

Operating expenses in this reporting period were in line with the budget save for exchange losses of K5.9 million.

The tax dispute legal fees continue to be a drain on revenue.

A small net profit instead of an expected loss was due to better than expected income from interest and dividends, and realised capital gains on disposal of investments.

Due to the small profit and the need to preserve cash for future development, the company will not pay a dividend

The company has sufficient funds to cover its recurrent expenditure under the current plan and is debt free.

Investment Strategy

BCL's liquid assets continue to be cash and Australian equities. The Australian equity market has performed better than in the previous reporting period resulting in improved returns on investments. It is intended to continue with the current investment strategy until such time as equities need to be sold to fund mine planning and development. It is expected that income for 2011 should improve in terms of percentage returns but the size of the investment portfolio has been reduced as a result of paying money into court relating to the tax dispute discussed next

Tax Dispute

By way of background to the taxation dispute, mining operations were suspended in 1989 resulting in considerable losses to the company and these losses continue to mount. In line with normal practice the company offset those losses against revenue as well as claiming depreciation of its remaining mine assets. Despite this approach being accepted by the Internal Revenue Commission (IRC) every year since the suspension of mining operations, a targeted IRC audit in 2002 resulted in reassessments being issued. The basis for the reassessment is that the company has no assets that can be depreciated.

This position of course was taken by the IRC some years ago.

BCL has taken expert legal and accounting advice and based on that advice lodged formal objections to the amended assessments. The company paid approximately K13 million to the IRC during the 2007 year (which is close to the claimed unpaid primary tax) as a result of the IRC issuing Garnishee Notices on the company's bank accounts, and a further K48.8 million was paid to the IRC during the 2010 year under the terms of a court-sanctioned arrangement to place the IRC in possession of funds sufficient to pay all outstanding Assessments, penalties and interest claimed by the IRC, but which also ensures that those funds are readily available for return to BCL in the event that the company's challenges to the Assessments are ultimately upheld by the courts. This money is invested and is bearing interest. The principal and interest will be returned to the company should it prevail in the substantive tax appeal. The Board took the view that it was in the company's interest to pay the claimed amount into court rather than litigate this part of the dispute with likely high associated legal fees and so that the disputed amount would earn interest which it would not do if the IRC succeeded in its "pay now litigate later" action. By far the largest part of the claim is for penalties and interest.

BCL's substantive tax appeals against the assessments and other amounts claimed has completed discovery and is waiting on directions aimed at fixing a trial date.

Litigation

For a decade now I have been reporting on litigation involving a small group of Bougainville plaintiffs in the US Federal Court. The matter involves allegations over the way the mine was operated and matters that occurred on Bougainville after mining was suspended. BCL is not a party to the litigation, which is against the Rio Tinto group. The process of allowing a foreign court to decide local matters sends a negative message about PNG and Bougainville and is not helpful in attracting investors. Most recently the Federal Appeal Court ordered that a single judge investigate whether the parties were prepared to mediate.

The judge reported to the Court that he didn't believe the matter could be resolved by mediation so it is now up to the Appeal Court to decide on the next step. It is not likely that the next judgement will dispose of the matter.

Corporate Governance

BCL has governance reporting obligations to the Australian Securities Exchange (ASX) and internally to Rio Tinto Limited. A statement on BCL's compliance with the ASX Corporate Governance Principles and Recommendations is contained in this report. In addition BCL has responded to the Rio Tinto Limited internal control questionnaire which incorporates Rio Tinto's comprehensive range of policy including safety, environment, financial management and many other risk management matters.

Safety

Rio Tinto is particularly safety conscious and has in place a comprehensive set of safety standards to ensure that it provides a safe working environment and that its employees and contractors comply with best-practice safety procedures. BCL complies with the requirements of the Rio Tinto safety policy.

Risk Management

This year the full Board of BCL participated in a facilitated risk analysis. The aim of the exercise is to identify risks and opportunities for the company and allocate responsibility for each to a member of the management team. The company has also undergone a number of audits to ensure compliance with its own policies and that of Rio Tinto.

Bougainville Copper Foundation

BCL is continuing to support the work of the Bougainville Copper Foundation. This is an independent, "not for profit", company that has been funded by BCL since its inception. This year, as in previous years, the Foundation has more than 100 Bougainville students on scholarships. It also undertakes "special projects" on a needs basis with the emphasis being on education and peace and good governance.

The Foundation is proud of its achievements and those of its former scholars who are contributing to the development of Bougainville. The company is also sponsoring the Don Vernon post graduate scholarship to Queensland University.

The scholarship honours Don Vernon who was a past Chairman of BCL and the founder of the Australia PNG Business Council (APNGBC). The scholarship was announced at the 30 anniversary dinner of the APNGBC and is restricted to PNG candidates for post graduate studies related to the mining industry. I am currently Vice President of the Council.

Significant events on Bougainville

An important event during the year was the election of Chief John Momis as President of Bougainville for a five year term. President Momis was elected with an absolute majority, giving him a strong mandate for his programs.

This is an important development for the company because the next five years is the period in which the mine should be reopened to take advantage of the resurgence in mineral commodity prices and demand. The company will need the support of the new President and the cabinet as well as landowners.

I met the President, at his invitation, during his first week in office and dialogue is ongoing.

The President has publicly expressed his support for reopening the mine and he is talking directly with me and BCL. He has established an office in Port Moresby which will allow him to meet directly with BCL and the PNG Government on a regular basis. I believe the company can work well with President Momis and the Cabinet of the Autonomous Bougainville Government.

Although there is much detail to work through there is common agreement that re-commencing operations on Bougainville can deliver significant benefits both locally and regionally.

There is increasing acknowledgement among stakeholders that Bougainville's economic future needs mining if it is to be able to fund even basic services from its own resources.

Funding and sovereign risk assurance for the project will require a united effort. There will need to be a fair and stable mining regime that gives investors the confidence needed to commit to a project that will cost in the order of US\$3 billion.

In anticipation of negotiations starting this year the company has engaged the services of an additional experienced senior manager to concentrate on this part of the company's activity. Among other things the Bougainville Copper Agreement and related legislation needs to be amended to accommodate changed circumstances and provide certainty for all concerned

The improved world economic demand for minerals has put the company's largest shareholder, Rio Tinto Limited, into a new growth phase. Rio Tinto Exploration has recently applied for exploration licences in PNG, the first such applications since the mid 1990s. This is a good indicator that Rio Tinto would like to participate in PNG's future mineral development. Rio Tinto is well-placed to assist BCL with world class technical expertise and management.

Bougainville Copper Agreement (BCA)

Among other things, the Bougainville Copper Agreement and related legislation would need to be amended to accommodate changed circumstances and to provide greater certainty for all concerned. Such an Agreement is likely to be very different from the last one.

The BCA was first drawn up in the late 1960s, before Papua New Guinea was independent, and before Bougainville as a separate province existed. To make a new agreement effective, it is critical that the landowners and the people of Bougainville, represented by the Autonomous Government, have significant input.

This would include a focus on participation in the project itself, as well as directly sharing in the benefits of the project.

Studies

Your company has conducted no further technical work since the "order of magnitude" study and the exploration study I detailed in 2008. There has been some remediation work carried out on site as part of the company's commitment to ensure the mine site is safe whether or not mining is taking place. There are plans to do additional work with the co-operation of landowners. President Momis has been proactive in assisting the company carry out safety work.

The next technical work, a pre-feasibility study on reopening the mine, will be very expensive so certainty is needed that a workable mining regime and conditions will be put in place before committing the funds. There will be some ongoing studies to assist the renegotiation of the Bougainville Copper Agreement to proceed and some of those studies will also be relevant to mine redevelopment. The vision to return to active exploration and profitable mining remains and I am pleased to say with increased support from local stakeholders.

And it is worth remembering that BCL has 7 granted tenements adjacent to the Panguna mining lease which are in good standing and await exploration save for

a National Government imposed moratorium on exploration on Bougainville. Our geologists believe this area is highly prospective.

Issues for 2011

Some other key issues lie ahead for this year.

The drawdown of powers to the Autonomous Region continues, but the mining regulatory powers have not yet been drawn down.

The World Bank initiative aimed at helping Bougainville develop capacity to manage its mining sector is well advanced and is intended to help facilitate the transfer of these mining powers. This will be an important step because regulatory certainty is needed before a decision to mine will be made. Ideally the Bougainville mining regime as it directly affects the company will not be radically different to the current system so a swift transition from the old regime to the new can be made.

The capacity of the Autonomous Government to regulate and manage mining is not only vital for future development, it is important that it informs the approach taken by the ABG in the re-negotiation of the Bougainville Copper Agreement, in modern terms, as previously discussed.

BCL needs access to the mine site firstly to undertake a comprehensive review of environment and safety needs as well as assess the condition of company assets and whether assumptions made in the order of magnitude study about site conditions are justified.

Secondly the company needs to engage with landowners and the Government on future benefit sharing. The mining project to be economically viable, requires a realistic tax and compensation regime.

BCL believes it can play an important part in the future prosperity of Bougainville but needs local support to convince lenders that Bougainville is a safe place to invest.

Outlook

The outlook for redevelopment continues to improve. The company believes it has a viable plan to reopen the mine and we intend to remain vigorous in dealing with the multitude of issues needing attention as part of the process. I might say that the tide is running our way, but we need to be sure to take everyone else with us.

The company is debt free and has sufficient funds to meet its expenses in the immediate future. Engagement with landowners and Government is frequent and positive. Relations between all parties continue to improve. It is encouraging that support for mine redevelopment is on a very obvious upswing.

The board is encouraged, and looks forward to 2011 as a year of very significant progress towards our vision of a return to active and profitable mining.

Thank you.

Peter Taylor
Chairman
19 April 2011



**Bougainville
Copper
Limited**



Bougainville Copper Limited

44th Annual General Meeting



**Bougainville
Copper
Limited**



Bougainville Copper Limited

44th Annual General Meeting

Chairman's Report

Agenda

- results
- significant changes on Bougainville
- strategy and development
- the year ahead





**Bougainville
Copper
Limited**



Results

**Net profit K2.8 million
(2007 K8.7 million)**

- **operating expenses in line with budget**
- **tax dispute legal fees**

Results

**Better than expected
income**

- **dividend policy**
- **sufficient funds**
- **debt free**





Investment Strategy

- improved Australian equities performance
- 2011 improved percentage returns
- size of portfolio reduced by tax case

Taxation

Claim for additional tax and penalties, before the Court

- **K13m paid to IRC in 2007**
- **K48.8m paid in 2010**
- **funds invested and bearing interest**





Litigation

- case brought in a US court
- BCL not a party to the litigation
- mediation not believed possible
- US Court of Appeal to decide next step



**Bougainville
Copper
Limited**



Corporate Governance

- **reporting obligations to ASX and Rio Tinto**
- **compliant with ASX**
- **compliant with Rio Tinto's policies and controls**

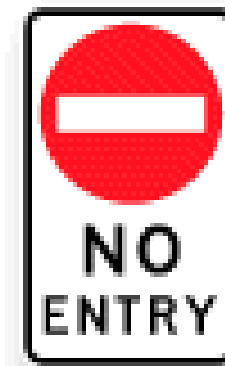


Safety

- Rio Tinto particularly safety conscious
- safe working environment
- employees and contractors in compliance
- BCL in compliance with Rio Tinto safety policy

Risk Management

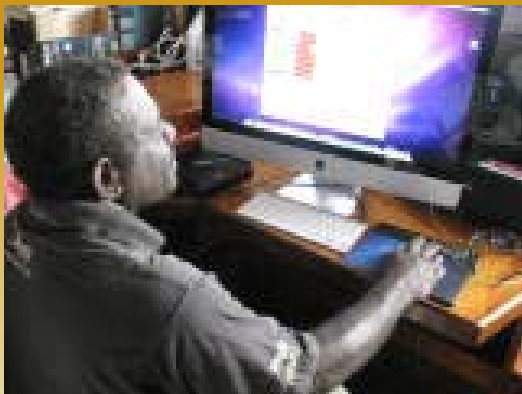
- facilitated risk analysis
- identify risks and opportunities
- allocate responsibilities
- audits to ensure compliance





Bougainville Copper Foundation

- independent, funded by BCL
- more than 100 scholarships in 2011
- former scholars contributing to Region
- Don Vernon Scholarship





Significant Events

- **election of new President**
- **President leading consensus for re-opening**
- **best interests of the people of Region**
- **united effort for investor confidence**

Significant Events

- additional experienced manager engaged
- improved world demand for minerals
- new Rio Tinto exploration initiatives in PNG





**Bougainville
Copper
Limited**



Bougainville Copper Agreement

- **changed circumstances, provide certainty**
- **very different from the last one**
- **landowners and ABG to have major inputs**
- **participation, benefits sharing**

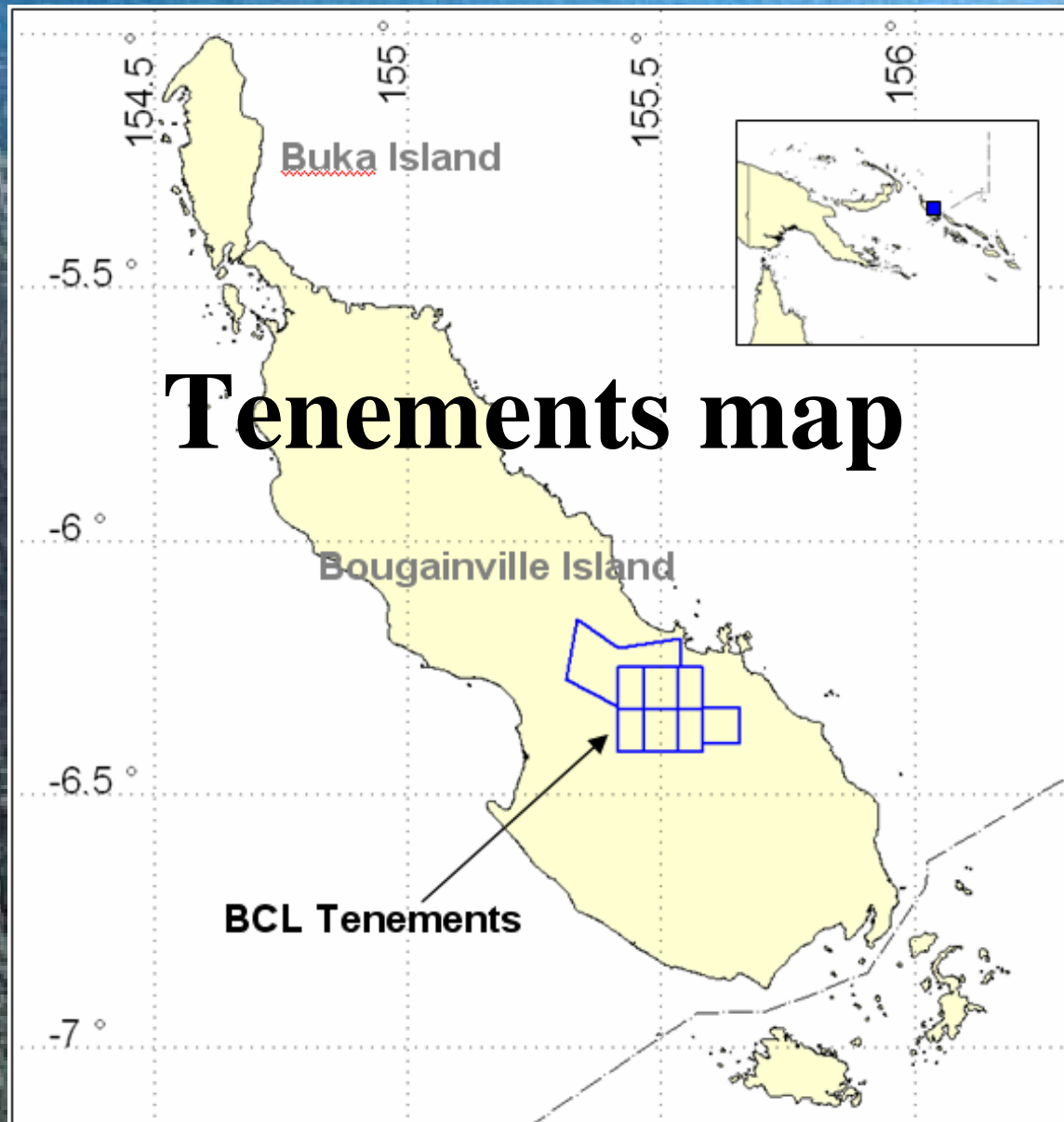


**Bougainville
Copper
Limited**



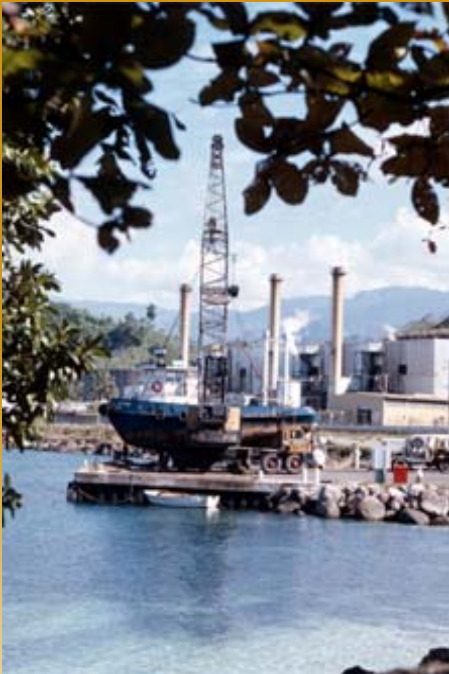
Studies

- **some remediation work on site**
- **pre-feasibility on re-start very expensive**
- **limited studies to support BCA renegotiation**



Tenements map

BCL Tenements

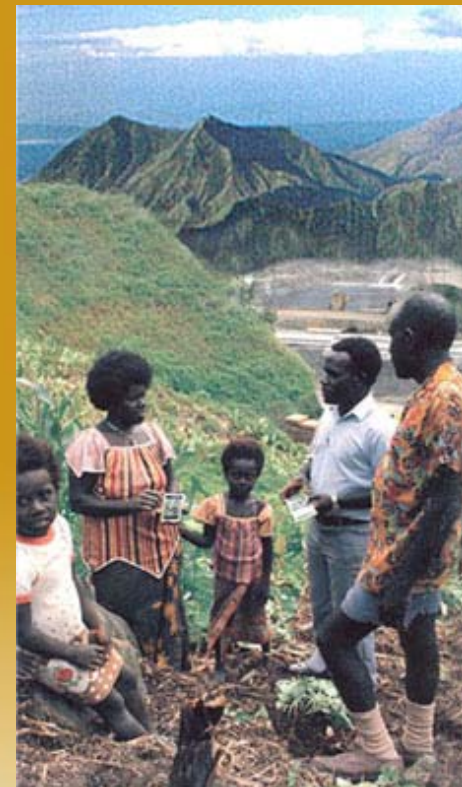


Issues for 2011

- mining powers to Bougainville
- World Bank capacity building program
- access for safety and environment audits

Outlook

- viable program
- debt free company
- engagement with stakeholders
- relationships improving
- overwhelming support for mine redevelopment





**Bougainville
Copper
Limited**



Bougainville Copper Limited

44th Annual General Meeting

Chairman's Report



**Bougainville
Copper
Limited**



Bougainville Copper Limited

44th Annual General Meeting