

ESBC Questions for the 2012 Annual General Meeting

1. Bougainville shareholders

Does the Board have a view on the ways and means to optimise Bougainville shareholder equity in BCL assuming a mine re-start is forthcoming?

The original agreements for mining at Panguna were made between the national administration and BCL. New agreements made in the present era will be made between the ABG, the National Government, the Landowners and BCL. Most recent resource development agreements in PNG include provisions for landowner equity, the current practice is for the Landowner equity to come from the Government shareholding. We have consistently maintained that any new agreement will respect and accommodate the rights and aspirations of landowners and the people of Bougainville. We support the concept of equity for Bougainvilleans.

2. Processing equipment

What measure of efficiency gains measured against pre-closure output could be expected from the installation of modern ore processing equipment?

Since the era when the mine was previously operating, there have been significant advances in the techniques of processing porphyry ores. We are currently conducting studies to determine, among other things, the optimum application of equipment and the mining and processing rates. This is of course considered in the context of the capital cost of a re-start, and the return on investment. It is certainly likely that there will be increased efficiency and improved recoveries, and possibly some added value through the recovery and sale of commodities in addition to copper, gold and silver.

3. Tailings

Can rehabilitation of existing mine tailings be undertaken successfully and could this operation prove to be cash neutral by reprocessing the material?

An evaluation of the tailings requires additional study and access on the ground, so it is too early to give a definitive answer. Of course rehabilitation is an integral element of any mine closure strategy, as it is in our re-start planning, regardless of whether a re-start is achieved, and without factoring in possible recoveries.

4. Scrap metal

More than two years ago you announced that Panguna Metals should clean up scrap metal from the mine site. The revenue from this operation was hopefully to support the Panguna landowners with funding. Recent pictures from the mine site show that there has been little change. The Panguna landowners are known not to have received any funds. A recent call for funding shows that they still suffer from a lack of money.

a) Please give us an update on the actual situation at the mine site.

b) Are the activities of Panguna metals monitored by BCL?

There has been considerable recovery of metal from various BCL sites; it is in fact an active occupation and source of income for many people. However, it is the ABG and not BCL which has the regulatory role. We have not sought to control or limit this activity, as it has been our view that some money can be made to benefit Bougainvilleans. We have intervened to some extent where it was obvious that non-Bougainvilleans were helping themselves, and we remain in touch with the situation in the same manner as we monitor many developments on Bougainville.

In the case of the Panguna people and their partners in the salvage business, we understand that money generated to date may not have fully offset the considerable cost of establishing operations in a difficult environment, but we further understand that the external partner has recently provided additional management capacity. Sharing of returns from the operation is strictly a matter within the partnership.

5. Legal situation

Prime Minister Peter O'Neill has confirmed in the PNG Parliament that Bougainville Copper has, by right of the BCA, permits to operate at Panguna for a further 21 years from 2011. Do you have proper legal documentation of the leases from the National Government?

We have consistently applied for renewal of all our licences, including the SML, the Leases for Mining Purposes and the Exploration Licences, and we believe that all renewals are guaranteed by an act of Parliament.

6. Landowner elections

Local momentum has produced landowner elections and an increased focus on the re-start agenda. This appears to be largely due to the efforts of President Momis and his cabinet. When will these elections take place?

We believe that there are now nine associations of landowners from operation-impacted areas, and we are advised that four of these have completed their election process. We believe that the other elections will be completed in a timely manner. The momentum is with the landowners themselves and the management of the process rests with the ABG.

7. Revaluation of assets

You have stated that the company's assets will be subject to a rigorous revaluation, exposing potential future operations to the matrix of current prices and costs. When is this revaluation expected?

The assets need to be re-valued, and this will be a priority task once full access is available. What is required is a technical assessment of assets in compliance accounting principles and company law.

8. Police on Bougainville

Although frequent appeals for peace on Bougainville are made, the law and order situation is still not satisfactory. What are the objectives of the ABG and the National Government towards improving the situation? Do you see any opportunity for BCL to help the authorities by providing assistance?

Law and order, and policing on Bougainville is a civil matter and outside the remit of the company. Bougainville and PNG are being assisted by the Australian and New Zealand Governments with capacity building in the law and justice sectors.

9. Local awareness

We believe that permanent personal contact with the people on the ground is important for improvement of relations between BCL and the community. Are you planning to have representation in Arawa to support local awareness and encourage communication?

Yes, we will engage on the ground as soon as the safety and security of company personnel can be guaranteed.

10. Free riders

Repeatedly free riders try to jump on the train, the latest one being Morumbi Inc. This together with the general political situation in PNG has caused severe damage to the share price. What are your plans to meet these challenges and help increase the share price?

The share price is market driven. The Board will continue to protect and promote the assets and activities in accordance with the laws of PNG.

11. Foreign investment in BCL

In the past twelve months have you seen any evidence of interest, in any shape or form, from either Chinese or other investors with a view to acquire BCL or participate in its activities?

The company does receive expressions of interest from potential customers and investors from time to time including Chinese interests but there has been nothing unusual about in the last 12 months.

12. We are pleased to share with you our Fair Value Study from May 2011, which predicts a value of between AUD30 and AUD50 per BCL share. Please give us your perspective on this, and what share price you consider to be realistic.

The Board does not make predictions about the share price.