



# BOUGAINVILLE COPPER LIMITED

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## Press Release

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### **Bougainville Copper Limited AGM**

**8 May 2008**

The Bougainville Copper Limited Annual General Meeting was held on Thursday 8 May 2008 in Port Moresby, Papua New Guinea.

The Speech by the Chairman is below.

#### **Opening remarks by the Chairman Mr Peter Taylor**

Ladies and Gentlemen, thank you for your attendance at this 41st annual general meeting of Bougainville Copper Limited, reporting on the 2007 year.

In this presentation I will address:

- issues in relation to taxation
- resignation and appointment of directors upon which you will be asked to vote
- overview of present activities and the outlook for the near future

Let me say at the outset that your directors believe that the company is better positioned now than at any time in the past nineteen years to make a return to active exploration and profitable mining on Bougainville, for the benefit of all stakeholders.

#### **Financial Results**

I would like to commence with the results for the year ended 31 December 2007.

The net profit was K3.6 million (AUD\$1.5 million) compared with K3.7 million (AUD\$1.6 million) the previous year.

In addition there was a K22 million capital growth which together with the net profit equates to a 7% increase in shareholder funds.

Although the profit for the two periods is similar, operating expenses rose in this reporting period, but the increased costs were offset by increased investment income.

Revenue increased by 9% during the year due primarily to growth in dividends (+16%) derived from the Investment Portfolio.

General and administrative expenses grew by 10%, reflecting nominal real growth in expenses, upward movements in PNG inflation rate, and AUD/PGK exchange rate fluctuations.

## **Taxation**

As I have outlined in the Annual Report for the last 5 years the company continues to be in dispute with the Internal Revenue Commission (IRC).

Not only is this claim a concern because of the large adverse financial impact it will have on the company if it succeeds, but also because it is based on matters that go to the very heart of BCL's enormous loss of capital and future revenue when the mine was closed in 1989 following violent attacks on company employees and property.

In essence the Internal Revenue Commission says all of the company's capital assets were lost as a result of the conflict and should have been written off by the Company in 1990.

The Company has lodged tax returns on a yearly basis, duly audited and based on professional advice in compliance with accepted accounting standards. The Company has also obtained an opinion from a Queens Counsel who agrees that the advice on which the tax returns were made is sound.

The Tax authority itself did not question the correctness of returns lodged after the suspension of mining until the current audit.

The Company has consistently maintained it still has valuable assets on Bougainville and has continued to account for and depreciate them in its annual accounts.

The Company has paid approximately K13 million into the National Court in respect of the 'pay now litigate later' approach of the IRC pending the Company's objections being heard.

## **Directors**

At the end of this meeting Mr Bruce Alexander retires after nearly 9 years on the Board.

On behalf of my fellow directors and myself I express our appreciation of Bruce's wise counsel, dedication and valuable contribution as a member of the Board.

Mr Rob Burns retires by rotation at this meeting and is available for re-election.

Mr Ian Williams is standing for election as a non executive director.

As your Chairman, I support both these candidates.

## **The Way Forward**

I will now move on to discuss the way forward, and repeat what I said at the outset, that your directors believe that the company is better positioned now than at any time in the past nineteen years to make a return to profitable mining on Bougainville, for the benefit of all stakeholders.

There are many challenges in re-opening the mine, but there is also a confluence of factors today which the board considers to be favourable.

The Autonomous Bougainville Region needs economic development to underpin its economy and support service delivery and social advancement.

I believe this view is shared by many Bougainville residents and leaders.

I detect a mood of reconciliation, initiated by the people themselves and promoted by the Autonomous Bougainville Government.

That is a positive development in looking forward rather than dwelling on the past.

Recent negotiations between the Autonomous Bougainville Government and the National Government of Papua New Guinea have made significant progress towards the resolution of political and administrative issues associated with the future of mining and exploration on Bougainville.

Both Governments have agreed to a fifteen point plan and a timetable to put in place a definitive and workable mining regime.

Included in this agenda are items which have a direct bearing on your company's future, including the drawdown of mining powers, the issues relating to ownership of mineral resources and renegotiation of the Bougainville Copper Agreement.

The Company is not a party to these negotiations, but has been an observer and has been kept informed of progress.

The Company enjoys an effective working relationship with all parties.

The next meeting of the Joint Supervisory Board, which is driving the agenda, is set down for late June.

The Company supports and is prepared to assist this encouraging process where appropriate.

In talks with various parties on Bougainville, the Company has expressed its desire to conduct environmental and safety audits in areas previously affected by mining operations.

Specialist consultants will be engaged to conduct these on the ground audits and to make recommendations on any remedial work considered necessary.

The Company is assisting with the process of reconciliation and consensus, initiated by landowners and their elected leaders.

Peace, consensus and law and order are pre-requisites to undertaking any activity on the ground.

The Company acknowledges the efforts of President Kabui and his Government in patiently and peacefully pursuing these objectives.

There has not been a more favourable time since mine closure to assess the economic feasibility of re-starting and operating a large copper mine on Bougainville.

World demand for copper, particularly in China, has created an unprecedented opportunity for Bougainville to kick start its economic growth through mineral resource development.

No other Company has the knowledge and data to match BCL's understanding of the Panguna ore body.

To be in the best possible position to understand the technical and financial requirements to develop Panguna a rigorous range of studies is required.

We are currently undertaking an "order of magnitude" study.

In broad terms the order of magnitude study will look at the annual production of the mine in a range of 20 – 50Mt/y and various projected copper and gold prices

This study is being undertaken Rio Tinto Technology and Innovation Group using a team of internal and selected external experts

The study commenced in April and is projected to be concluded in August 2008

The strengths for a restart are:

- Very low technical risk
- Known ore body and world class production track record
- Ore body only partially mined with large available remaining reserves. In 1989 estimated mill feed was 691Mt at 0.40% Cu and 0.47g/t Au
- Significant infrastructure in place eg. access road and port
- Upside opportunities exist to increase mine life, increase revenue and lower cost

But there are issues such as:

- Inability to access site makes it difficult to estimate restart costs and allowances
- Viability is very reliant on future metal prices and grade.
- The selection of the tailings disposal method will require significant stakeholder input and agreement
- and Funding

Beyond the special mining lease, there exists the attractive prospect of renewed evaluation of our other adjacent tenements.

These remain largely unexplored, and with the lifting of the long-standing embargo an exploration program is possible.

The right to explore these BCL properties is a desirable outcome of the renegotiation of the BCA.

In summary the tenement situation is:

- Seven prospecting authorities, total 624 square kilometres
- These tenements have been maintained and are in BCL's control
- Studies have identify a number of coincident geophysical and geochemical anomalies
- They are prospective for significant discoveries of both porphyry copper-gold and epithermal gold mineralisation
- High priority targets have been identified.

When we talk about a return to profitable mining on Bougainville, for the benefit of all stakeholders, I believe it appropriate to consider the many benefits which accrued during the previous years of mining activity, insofar as this may point to similarly beneficial outcomes in the future.

The beneficial outcomes included:

- an era of economic activity
- employment
- educational opportunity
- health advancement and
- social benefit on a scale never seen before or since in Papua New Guinea.

These are achievements this Company and its many employees can be proud of.

Bougainville Copper believes that if it makes a return to profitable mining on the island, significant benefit will once again flow to the people of Bougainville.

Redevelopment will bring a wide range of local business opportunities and new infrastructure to support those businesses

Rehabilitation and restoration techniques are now better understood and the local community will be invited to participate in planning and implementation. As your chairman I do not speak lightly of the challenges that lie ahead but let us look again at the positive factors affecting your Company's activities today:

- the buoyant prices for copper and gold
- the prospective tenements
- the stability of government in Papua New Guinea
- the willingness of all parties to discuss Bougainville issues positively
- and the processes of reconciliation that are underway.

Last year your board adopted a comprehensive three year plan for a return to exploration and profitable mining. We are following that plan, and I believe the results are satisfactory to date.

- We will continue our technical and social studies
- Pursue the re-negotiation of the BCA
- Fulfil, wherever possible, our obligations on the ground
- Protect our assets
- and assist in the process of reconciliation and consensus

In the coming year the priorities are;

- Complete the order of magnitude study
- Scope further studies
- Agree an exploration program
- Commence the formal review of the BCA
- Complete a safety and environment audit
- Advance the reconciliation process
- Formally engage with landowners

That concludes my presentation.

Thank you.

**Peter Taylor**  
**Chairman**