BOUGAINVILLE
COPPER LIMITED

Media Release 28 February 2017

BOUGAINVILLE COPPER LIMITED

The Board of Bougainville Copper Limited announce the following preliminary final results of the company for the year ended 31 December 2016 together with comparable results for twelve months to 31 December 2015, together with a summary of significant events.

Results

For the year ended 31 December 2016, the Group had a K3.8 million loss compared to K6.4 million loss before tax in 2015. Income from interest and dividends was slightly below budget. A K1.3 million gain on acquisition of the Rio Tinto assets was recorded, and, on consolidation of the Bougainville Copper Foundation Limited, a fully owned subsidiary from November 2016, a further K1.4 million was sundry income was recorded. Expenditure was under budget. The company acquired a fully owned subsidiary when it purchased 100% of Bougainville Copper Foundation Limited.

Financial Results	**2016**	**2015**
	K'000	**K'000**
Income		
Interest	148	1,029
Exchange Gains	28	30
Other Income	3,012	-
Dividends	4,547	3,778
	7,735	4,837
Less Cost and Expenses		
General and administative Expenses	(11,522)	(11,282)
	(11,522)	(11,282)
Profit/(loss) before tax	(3,787)	(6,445)
Income tax expense	-	(31,418)
Net profit/(loss)	(3,787)	(37,863)
Equivalent net profit/(loss in A$,000)	(1,633)	(18,208)

2016 DIVIDEND

The Directors have not declared a dividend in respect of 2016.

BORROWING

No borrowings were outstanding at year-end.

Telephone: (675) 309 2800 Facsimile: (675) 309 2898
Postal Address: P O Box 1274, Port Moresby, Papua New Guinea
Registered Office: Level 5, BSP Haus, Harbour City, Lot 2 on Allotment 34, Section 44, Granville, Port Moresby, NCD
Incorporated in Papua New Guinea A.R.B.N 007 497 869

SIGNIFICANT EVENTS

On 30th June 2016, Rio Tinto announced that it was divesting its 53.8% shareholding in Bougainville Copper Limited (BCL). This has resulted in the following significant changes and impacts for the company:

- **Shareholding.** Rio Tinto divested its shares in trust for the benefit of the Independent State of PNG and Autonomous Bougainville Government (ABG). Each became the equal largest shareholders with 36.4% of the shares. Subsequently the PNG Prime Minister announced in parliament that he proposed to gift the Rio Tinto component of 17.4% to the people of Bougainville. It remains unclear who is the beneficial owner of this shareholding which is of major concern to the ABG.
- **Board**. The Rio Tinto employees, Chairman Peter Taylor and non-executive director Adam Burley resigned on 30th June 2016. The Board appointed independent non-executive director Robert Burns as the new Chairman and appointed Sir Moi Avei as an independent director on 12th September 2016.
- **Management.** On divestment, Rio Tinto gave the required six month's termination notice of its management agreement with BCL. With effect from 12th September, 2016, BCL and Rio Tinto executed a deed to terminate the agreement early. BCL is now an independently managed PNG company.
- **Exploration Licence show cause notice.** Through authority of ABG mining regulation BCL holds an exploration licence (EL1) covering the Panguna mine. Following transfer of more than 25% ownership the ABG directed the Mining Minister to issue a notice of show cause in respect of EL1 as to why EL1 should not be cancelled. Your company has responded to the notice and is yet to receive a formal response despite several requests to do so.
- **Bougainville Copper Foundation** (BCF). The Foundation became a fully owned subsidiary of BCL from 24th November 2016.

Panguna development. Ongoing meetings have been held with both major shareholders seeking commitment for development of the Panguna mine. The ABG and PNG Governments have indicated support for the re-opening of Panguna and BCL as developer. Your company is now proactively engaging with major stakeholders in the preparation of an acceptable staged development plan.

EL1 tenure. As a separate issue to the EL1 show cause notice the exploration tenement came due for renewal in September 2016. A renewal application has been filed. Although BCL has received written acknowledgement that the application meets all obligations, renewal has not been formally granted. It is understood that renewal is being held up due to capacity issues in the Department of Mineral and Energy Resources and the outstanding show cause issue. Despite this EL1 is deemed to be renewed and extended pursuant to the Bougainville Mining Act 2015 until and unless there is an official rejection.

1990/91 Landowner Compensation. A comprehensive process has been adopted for the payment of agreed outstanding compensation for the period March 1990 to March 1991. All major stakeholders are working together to deliver a successful outcome involving 2123 landowners and payment of K14.5million. It is pleasing to report that payments commenced in in February 2017.

STOCK EXCHANGE

The standard proforma Appendix 4E was lodged with the Australian Stock Exchange in accordance with official listing requirements.

AUDIT

This media release is based on accounts that have been audited.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The Annual General Meeting of the company is scheduled to be held at the Grand Papua Hotel, Port Moresby at 2.00pm on Thursday 27th April 2017.

The Annual Report and Notice of Meeting will be mailed to shareholders on or about 24th March 2017.

By order of the Board.

Mark W Hitchcock
Company Secretary

Rules 4.1, 4.3

Appendix 4E

Preliminary final report

Name of entity

BOUGAINVILLE COPPER LIMITED

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
007 497 869		√	31/12/16

For announcement to the market

				K'000
Revenues from ordinary activities	Up	59.91%	to	7,735
Loss from ordinary activities after tax attributable to members	Down	90.00%	to	(3,787)
Loss for the period attributable to members	Down	90.00%	to	(3,787)

Dividends (distributions)	Amount per security	Franked amount per security
Final dividend Interim dividend	Nil	Nil
Previous corresponding period	Nil	Nil

Record date for determining entitlements to the dividend.	N/A

Report to Australian Stock Exchange

The directors of Bougainville Copper Limited announce the following Preliminary final results of the company for the year ended 31 December 2016 together with comparable results for twelve months to 31 December 2015.

In November 2016, Bougainville Copper Foundation Limited (BCF) became a fully owned subsidiary of BCL after Rio Tinto divested its 100% shareholding in the foundation. The balance sheet of BCF is consolidated with BCL as at 31st December 2016.

For the year ended 31 December, 2016, the Group recorded a loss of K3.8 million compared to a planned loss of K13.8 million. During 2016 expenditure was curtailed apart from costs associated with making the 1990/91 landowner compensation payments, due to shareholder uncertainty and issues surrounding tenure. Income of the Group was K7.7 million including sundry income of K1.3 million on the valuation of assets acquired when Rio Tinto divested its shareholding in BCL. On consolidation of BCF a further K1.4 million of income was recognised. Interest and dividend income was slightly below budget.

On 30th June 2016, Rio Tinto announced that it was divesting its 53.8% shareholding in Bougainville Copper Limited (BCL). This has resulted in the following significant changes and impacts for the company:

- **Shareholding.** Rio Tinto divested its shares in trust for the benefit of the Independent State of PNG and Autonomous Bougainville Government (ABG). Each became the equal largest shareholders with 36.4% of the shares. Subsequently the PNG Prime Minister announced in parliament that he proposed to gift the Rio Tinto component of 17.4% to the people of Bougainville. It remains unclear who is the beneficial owner of this shareholding which is of major concern to the ABG.
- **Board**. The Rio Tinto employees, Chairman Peter Taylor and non-executive director Adam Burley resigned on 30th June 2016. The Board appointed independent non-executive director Robert Burns as the new Chairman and appointed Sir Moi Avei as an independent director on 12th September 2016.
- **Management.** On divestment, Rio Tinto gave the required six month's termination notice of its management agreement with BCL. With effect from 12th September 2016, BCL and Rio Tinto executed a deed to terminate the agreement early. BCL is now an independently managed PNG company.
- **Exploration Licence show cause notice.** Through authority of ABG mining regulation BCL holds an exploration licence (EL1) covering the Panguna mine. Following transfer of more than 25% ownership the ABG directed the Mining Minister to issue a notice of show cause in respect of EL1 as to why EL1 should not be cancelled. Your company has responded to the notice and is yet to receive a formal response despite several requests to do so.
- **Bougainville Copper Foundation** (BCF). The Foundation became a fully owned subsidiary of BCL from 24th November 2016.

Panguna development. Ongoing meetings have been held with both major shareholders seeking commitment for development of the Panguna mine. The ABG and PNG Governments have indicated support for the re-opening of Panguna and BCL as developer. Your company is now proactively engaging with major stakeholders in the preparation of an acceptable staged development plan.

EL1 tenure. As a separate issue to the EL1 show cause notice the exploration tenement came due for renewal in September 2016. A renewal application has been filed. Although BCL has received written acknowledgement that the application meets all obligations, renewal has not been formally granted. It is understood that renewal is being held up due to capacity issues in the Department of Mineral and Energy Resources and the outstanding show cause issue. Despite this EL1 is deemed to be renewed and extended pursuant to the Bougainville Mining Act 2015 until and unless there is an official rejection.

1990/91 Landowner Compensation. A comprehensive process has been adopted for the payment of agreed outstanding compensation for the period March 1990 to March 1991. All major stakeholders are working together to deliver a successful outcome involving 2123 landowners and payment of K14.5million. It is pleasing to report that payments commenced in in February 2017.

Condensed statement of comprehensive income

	Consolidated current period - K'000	Parent Previous corresponding period - K'000
Revenues from ordinary activities	**7,735**	**4,837**
Expenses from ordinary activities	**(11,522)**	**(11,282)**
Impairment expense	**-**	**-**
Share of net profits (losses) of associates and joint venture entities	-	-
Profit (loss) from ordinary activities before tax	**(3,787)**	**(6,445)**
Income tax on ordinary activities	**-**	**(31,418)**
Profit (loss) from ordinary activities after tax	**(3,787)**	**(37,863)**
Profit (loss) from extraordinary items after tax	-	-
Net profit (loss)	**(3,787)**	**(37,863)**
Net profit (loss) attributable to outside equity interests	-	-
Net profit (loss) for the period attributable to members	**(3,787)**	**(37,863)**
Other comprehensive income		
Increase (decrease) in fair value of available-for-sale financial assets	**1,859**	**1,795**
Total other comprehensive income	**1,859**	**1,795**
Total comprehensive income for the period	**(1,928)**	**(36,068)**

Earnings per security (EPS)	Consolidated current period	Parent Previous corresponding period
Basic EPS	(0.94) toea	(9.44) toea
Diluted EPS	(0.94) toea	(9.44) toea

Notes to the condensed statement of comprehensive income

Profit (loss) from ordinary activities attributable to members

	Consolidated current period – K'000	Parent Previous corresponding period - K'000
Profit (loss) from ordinary activities after tax	**(3,787)**	(37,863)
Less (plus) outside equity interests	**-**	-
Profit (loss) from ordinary activities after tax, attributable to members	**(3,787)**	(37,863)

Revenue and expenses from ordinary activities

	Consolidated current period – K'000	Parent Previous corresponding period - K'000
Interest revenue	**148**	1,029
Other relevant revenue -		
Dividends	**4,547**	3,778
Foreign exchange gains	**28**	30
Other income	**3,012**	-
Details of relevant expenses-		
General and administration expenses –		
Related Party (reimbursement of expenses to related parties salaries, rent etc)	**3,000**	5,202
Other Administrative Expenses	**8,522**	6,080
Provisions and accruals written back	**-**	-
Impairment expense	**-**	-

	Consolidated current period – K'000	Parent Previous corresponding period - K'000
Accumulated (losses) at the beginning of the financial period	**(324,355)**	(286,492)
Net profit (loss) attributable to members	**(3,787)**	(37,863)
Net transfers from (to) reserves	**-**	-
Net effect of changes in accounting policies	**-**	-
Dividends and other equity distributions paid or payable	**-**	-
Accumulated (losses) at end of financial year	**(328,142)**	(324,355)

Intangible and extraordinary items

Nil

Comparison of half year profits

(Preliminary final report only)

	Consolidated current period - K'000	Parent Previous corresponding period - K'000
Profit (loss) from ordinary activities after tax attributable to members reported for the *1st* half year	**(3,747)**	(34,039)
Profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year	**(40)**	(3,824)
Profit (loss) from ordinary activities after tax attributable to members for the full year	**(3,787)**	(37,863)

Condensed statement of financial position

	Consolidated at end of current period K'000	Parent as shown in last annual report K'000	Parent as in last half **yearly report** K'000
Current assets			
Cash	19,283	28,951	25,203
Receivables	282	508	567
Total current assets	**19,565**	**29,459**	**25,770**
Non-current assets			
Available-for-sale financial assets	114,477	108,953	111,023
Other property, plant and equipment (net)	1,265	-	-
Other receivables	826	-	-
Total non-current assets	**116,568**	**108,953**	**111,023**
Total assets	**136,133**	**138,412**	**136,793**
Current liabilities			
Provisions	14,759		
Payables	774	1,566	2,801
Total current liabilities	**15,533**	**1,566**	**2,801**
Non-current liabilities			
Payables	305	305	306
Tax liabilities	6,759	6,759	6,759
Provisions	129	14,447	14,527
Total non-current liabilities	**7,193**	**21,511**	**21,592**
Total liabilities	**22,726**	**23,077**	**24,393**
Net assets	**113,407**	**115,335**	**112,400**
Equity			
Capital/contributed equity	401,063	401,063	401,063
Reserves	40,486	38,627	39,439
Accumulated losses	(328,142)	(324,355)	(328,102)
Equity attributable to members of the parent entity	**113,407**	**115,335**	**112,400**
Outside +equity interests in controlled entities	-	-	-
Total equity	**113,407**	**115,335**	**112,400**

Notes to the condensed statement of financial position

Condensed Statement of Changes in Equity Parent

		Contributed Equity K'000	Reserves K'000	Retained Profits K'000	Total K'000
21.1	Balance at 1 January 2014	401,063	71,483	(110,753)	361,793
21.2	Total comprehensive income for the period	-	4,160	(5,561)	(1,401)
21.3	Balance at 30 June 2014	401,063	75,643	(116,314)	360,392
21.4	Total comprehensive income for the period	-	(38,811)	(170,178)	(208,989)
21.5	Balance at 31 December 2014	401,063	36,832	(286,492)	151,403
21.6	Total comprehensive income for the period	-	(676)	(34,039)	(34,715)
21.7	Balance at 30 June 2015	401,063	36,156	(320,531)	116,688
21.8	Total comprehensive Income for the period	-	2,471	(3,824)	(1,353)
21.9	Balance at 31 December 2015	401,063	38,627	(324,355)	115,335
21.10	Total comprehensive income for the period	-	812	(3,747)	(2,935)
21.11	Balance at 30 June 2016	401,063	39,439	(328,102)	112,400
21.12	Total comprehensive Income for the period	-	1,047	(40)	1,007
21.13	Balance at 31 December 2016	401,063	40,486	(328,142)	113,407

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

Nil

Development properties

(To be completed only by entities with mining interests if amounts are material)

Nil

Condensed statement of cash flows

	Consolidated current period K'000	Parent Previous corresponding period - K'000
Cash flows related to operating activities		
Receipts from customers		-
Payments to suppliers and employees	(12,751)	(14,121)
Dividends received from associates		-
Other dividends received (net of dividends reinvested)	1,342	2,240
Interest and other items of similar nature received	146	4,912
Interest and other costs of finance paid		-
Income taxes paid		-
Receipt from IRC settlement		34,820
Net operating cash flows	**(11,263)**	**27,851**
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	-	-
Proceeds from disposal of available-for-sale financial assets	950	-
Payment for purchases of equity investments	-	(3,598)
Payment for Acquisition of subsidiary, net of cash acquired	617	-
Loans to other entities	-	-
Loans repaid by other entities	-	-
Other (provide details if material)	-	-
Net investing cash flows	**1,567**	**(3,598)**
Cash flows related to financing activities		
Proceeds from issues of securities (shares, options, etc.)	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Dividends paid	-	-
Other	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(9,696)	24,253
Cash at beginning of period	28,951	4,668
Exchange rate adjustments	28	30
Cash at end of period	**19,283**	28,951

Non-cash financing and investing activities

Not applicable

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Consolidated current period K'000	Previous corresponding period - K'000
Cash on hand and at bank	15,782	498
Deposits at call	3,501	28,453
Bank overdraft	-	-
Other –Short term liquid investments	-	-
Total cash at end of period	**19,283**	**28,951**

Other notes to the condensed financial statements

Ratios	Consolidated current period	Previous corresponding period
Profit before tax / revenue Profit (loss) from ordinary activities before tax as a percentage of revenue	(48.96%)	(133.24 %)
Profit after tax / equity interests Net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(3.34%)	(32.83 %)

Earnings per security (EPS)

Consolidated current year (0.94) toea
Current year (1.30) toea
Previous year (9.44) toea
Diluted EPS is the same as Basic EPS

NTA backing	Consolidated current period	Previous corresponding period
Net tangible asset backing per +ordinary security	K0.2828	K0.2876

Discontinuing Operations

Not applicable

Control gained over entities having material effect

On 24 November 2016 the parent entity acquired 100% of the issued share capital of Bougainville Copper Foundation Limited. The fair value of the net identifiable assets acquired was K1,444,000, and a discount on acquisition of K1,444,000 has been recognised at the date of acquisition.

Loss of control of entities having material effect

Not applicable

Dividends (in the case of a trust, distributions)

Amount per security

		Amount per security	Franked amount per security at % tax	Amount per security of foreign source dividend
	(Preliminary final report only) **Final dividend:** Current year	Nil	Nil	Nil
	Previous year	Nil	Nil	Nil
	(Half yearly and preliminary final reports) **Interim dividend:** Current year	Nil	Nil	Nil
	Previous year	Nil	Nil	Nil

Total dividend (distribution) per security (interim *plus* final)

(Preliminary final report only)

	Current year	Previous year
+Ordinary securities	Nil	Nil
Preference +securities	Nil	Nil

Half yearly report - interim dividend (distribution) on all securities *or* Preliminary final report - final dividend (distribution) on all securities

	Current period K'000	Previous corresponding period - K'000
+Ordinary securities *(each class separately)*	Nil	Nil
Preference +securities *(each class separately)*	Nil	Nil
Other equity instruments *(each class separately)*	Nil	Nil
Total	**Nil**	**Nil**

Details of aggregate share of profits (losses) of associates and joint venture entities

Not applicable

Material interests in entities which are not controlled entities

Not applicable.

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of +securities	Total number	Number quoted	Issue price per security (toea)	Amount paid up per security (toea)
+Ordinary securities	401,062,500	401,062,500	100	100
Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks	-	-	-	-

Comments by Directors

Basis of financial report preparation

Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

On 24 November 2016 the parent entity acquired 100% of the issued share capital of Bougainville Copper Foundation Limited. The fair value of the net identifiable assets acquired was K1,444,000, and a discount on acquisition of K1,444,000 has been recognised at the date of acquisition.

A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Nil

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Nil

Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measure bases since the last annual report are disclosed as follows.

Nil

Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of reviews in estimates of amounts reported in previous annual reports if those revision have a material effect in this half year.

Nil

Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last annual report.

Bougainville Copper was defendant to an action commenced in the National Court by two plaintiffs seeking declarations that they are the lawful representatives of the mine site and the tailings disposal area landowners and that the Mining Warden is the proper judicial officer to determine what, if any, compensation is due to landowners for the period since the suspension of mining operations. A deed of release was executed by the two plaintiffs agreeing to the payment of statutory compensation for the 1990 year of operation including interest. The company has made a provision in its accounts to cover the landowner compensation. The proceedings in the National Court were concluded when a Notice of Discontinuance was filed and endorsed in the Buka National Court on 9 June 2016 and served on each plaintiff. Payments commenced in February 2017.

Additional disclosure for trusts

Not applicable

Audit

This report is based on accounts which have been audited.

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	Grand Papua Hotel, Mary Street, Port Moresby Papua New Guinea
Date	27 April 2017
Time	2.00pm
Approximate date the +annual report will be available	24 March 2017

Compliance statement

1) This report has been prepared in accordance with Australian International Financial Reporting Standards (AIFRS), other AIFRS authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

Identify other standards used	International Financial Reporting Standards

2) This report, and the accounts upon which the report is based, use the same accounting policies.

3) The directors are able to declare that the financial report comprising Appendix 4E to the Australian Stock Exchange for the year ended 31 December 2016:

- complies with International Financial Reporting Standards and the Australian Stock Exchange Listing Rules and

- gives a true and fair view of the entity's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;

Except that the results for the company for the financial year 31 December 2016 had a substantial affect by events of a material and unusual nature.

1. During 2014, the Autonomous Bougainville Government passed the Bougainville Mining (Transitional Arrangement) Act 2014 (Transitional Act) which was replaced by the Bougainville Mining Act 2015 (The Act) on 1 April 2015. This legislation seeks to challenge the company's control of the mine assets and may reflect an expropriation of assets for the purpose of the Bougainville Copper Act.

   The Act converted the Special Mining Lease held by the company to an Exploration Licence (EL) for a period of two years from the date of the Transitional Act. In July 2016 the company applied to extend the EL. The ABG has acknowledged receipt of the renewal application and the company has satisfied renewal obligations according to the act. At year end the ABG had not concluded the review.

   Under the provisions of the act the EL is deemed to be renewed and extended until and unless there is an official rejection.

   In July 2016 the ABG issued a notice to show cause to the company due to the transfer of shares by Rio Tinto during the initial two year period of the EL. The company responded to the show cause notice indicating the transfer was unrelated to any actions of the company. The directors believe the notice to show cause has been substantially been resolved by a significant portion of ownership being taken on by the ABG as a result of the transfer of shares.

   Bougainville Copper Limited while adhering to the requirements of the Bougainville Mining Act 2015, also recognises and maintains the tenements in accordance to the PNG National legislation and the Bougainville Copper agreement.

   The directors of the company continue to take all possible steps to protect and optimise tenure in Bougainville.

2. On 24 November 2016, the Company acquired a subsidiary which holds an investment in an unlisted investment fund. The investment is classified as an available-for sale asset at a fair value of K1.1 million.

A K1.4 million discount on acquisition was recognised in the Statement of Comprehensive Income of the Group on the date of acquisition. The fair value of the available-for-sale asset forms part of the calculation of the discount on acquisition.

Management have not been provided with the 2016 audited financial statements of the investee and the investee is unable to confirm the number and value of units held by the various investors.

Accordingly, we have been unable to determine whether the fair value of the investment of K1.1 million is fairly stated.

As a result we have been unable to satisfy ourselves as to the accuracy of the K1.4 million discount on acquisition and the valuation of the available-for-sale asset recognised by the Group at 31 December 2016.

The independent audit report is qualified in relation to 2.

3) The entity has a formally constituted audit and risk committee.
4)

Sign here: ..... Date: 28 February 2017
(Company Secretary)

Print name: **Mark Hitchcock**

Bougainville Copper Limited
(Incorporated in Papua New Guinea)

A.R.B.N. 007 497 869

Annual Report

2016

Background

From 1972 until 1989 when operations were suspended, Bougainville Copper Limited (Bougainville Copper or the company) operated a large open pit mine and processing facility at Panguna on Bougainville Island in the North Solomons Province of Papua New Guinea (PNG) producing copper concentrate containing significant quantities of gold and silver. On 15 May 1989 production was brought to a halt by militant activity.

In the 17 years prior to 1989, the mine produced concentrate containing three million tonnes of copper, 306 tonnes of gold and 784 tonnes of silver. The production had a value of K5.2* billion which represented approximately 44 per cent of Papua New Guinea's exports over that period. Contributions to the National Government in the form of taxes, duties and dividends were approximately 17 per cent of internally generated Papua New Guinean Government revenue during that time.

A total of K1, 088* million was contributed to the National Government, which represented 62 per cent of the net cash generated by the project between 1972 -1989. In addition, payments to the then North Solomons Provincial Government and Panguna landowners, together with provisions made since 1990, amounted to K114* million. Further, Bougainville Copper's presence in the North Solomons Province had promoted the development of significant local business enterprises to provide goods and services required for the mining operation and for the residents of the province.

Bougainville Copper trained some 12,000 employees, including approximately 1,000 completing full trade apprenticeships and some 400 completing graduate and post-graduate studies that resulted in considerable progress in the localisation of the company's employees and significantly added to the number of skilled workers elsewhere in the country's workforce.

Rio Tinto transferred its shares to the Autonomous Bougainville Government and the independent State of Papua New Guinea on 30th June 2016. The ABG and PNG Government both hold an equal share in BCL of 36.4%. BCL is now an independently managed company and manages its own day to day activities.

Bougainville Copper on-line

Information about Bougainville Copper is available on our website – www.bcl.com.pg. The Annual Report and other information can be downloaded from this site.

Notice of meeting

The Annual General Meeting of Bougainville Copper will be held at 2pm on Thursday, 27th April 2017 at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea. A separate Notice of Meeting is enclosed. All shareholders are cordially invited to attend.

Directors

Robert Staley Burns (chairman)
Sir Rabbie Langanai Namaliu
Dame Carol Anne Kidu
Sir Moi Avei
Peter Robert Taylor (resigned 30th June 2016)
Adam James Burley (resigned 30th June 2016)

Secretary

Mark Wallace Hitchcock

Contents

Background	2
The year in brief	4
Chairman's statement and our year in review	5
Directors' report	9
Resource statement	13
Corporate governance statement	15
Financial statements	25
Directors' declaration	47
Independent audit report	48
Corporate information	53
Distribution of the benefits	56
Statistical summary	57

The year in brief

On 30th June 2016, Rio Tinto announced that it was divesting its 53.8% shareholding in Bougainville Copper Limited (BCL). This has resulted in the following significant changes and impacts for the company:

- **Shareholding.** Rio Tinto divested its shares in trust for the benefit of the Independent State of PNG and Autonomous Bougainville Government (ABG). Each became the equal largest shareholders with 36.4% of the shares. Subsequently the PNG Prime Minister announced in parliament that he proposed to gift the Rio Tinto component of 17.4% to the people of Bougainville. It remains unclear who is the beneficial owner of this shareholding which is of major concern to the ABG.
- **Board**. The Rio Tinto employees, Chairman Peter Taylor and non-executive director Adam Burley resigned on 30th June 2016. The Board appointed independent non-executive director Robert Burns as the new Chairman and appointed Sir Moi Avei as an independent director on 12th September 2016.
- **Management.** On divestment, Rio Tinto gave the required six month's termination notice of its management agreement with BCL. With effect from 12th September, 2016, BCL and Rio Tinto executed a deed to terminate the agreement early. BCL is now an independently managed PNG company.
- **Exploration Licence show cause notice.** Through authority of ABG mining regulation BCL holds an exploration licence (EL1) covering the Panguna mine. Following transfer of more than 25% ownership the ABG directed the Mining Minister to issue a notice of show cause in respect of EL1 as to why EL1 should not be cancelled. Your company has responded to the notice and is yet to receive a formal response despite several requests to do so.
- **Bougainville Copper Foundation** (BCF). The Foundation became a fully owned subsidiary of BCL from 24th November 2016.

Panguna development. Ongoing meetings have been held with both major shareholders seeking commitment for development of the Panguna mine. The ABG and PNG Governments have indicated support for the re-opening of Panguna and BCL as developer. Your company is now proactively engaging with major stakeholders in the preparation of an acceptable staged development plan.

EL1 tenure. As a separate issue to the EL1 show cause notice the exploration tenement came due for renewal in September 2016. A renewal application has been filed. Although BCL has received written acknowledgement that the application meets all obligations, renewal has not been formally granted. It is understood that renewal is being held up due to capacity issues in the Department of Mineral and Energy Resources and the outstanding show cause issue. Despite this EL1 is deemed to be renewed and extended pursuant to the Bougainville Mining Act 2015 until and unless there is an official rejection.

1990/91 Landowner Compensation. A comprehensive process has been adopted for the payment of agreed outstanding compensation for the period March 1990 to March 1991. All major stakeholders are working together to deliver a successful outcome involving 2123 landowners and payment of K14.5million. It is pleasing to report that payments commenced in in February 2017.

Summary of Results

		Consolidated	Parent	
		2016	**2016**	2015
Investment and Other income	(K'000)	7,735	6,291	4,837
Operating loss after tax	(K'000)	(3,787)	(5,231)	(37,863)
Earnings per share	(toea)	(0.9)	(1.3)	(9.4)
Shareholders' funds	(K'000)	113,407	111,963	115,335
Return on shareholders' funds	(per cent)	(3.3)	(4.7)	(32.8)

Chairman's statement and our year in review

Overview

Rio Tinto's departure as majority shareholder and manager heralds a new era for BCL as an independently managed PNG company. As outlined in the year in brief this has resulted in significant changes and impacts for your company. The company has been active in meeting the new challenges and importantly opportunities perhaps the most beneficial of which is the ability to directly plan our future.

BCL continues the vision to return to active exploration and profitable, sustainable mining. The new Panguna mine will be for the benefit of the stakeholders. Ongoing meetings have been held with both major shareholders to seek commitment and direction for the development of the Panguna mine. The ABG and PNG Governments have indicated support for the re-opening of Panguna and BCL as developer. Your company is now proactively engaging major stakeholders in the preparation and agreement of an acceptable staged redevelopment plan. To facilitate engagement BCL intends to establish a Bougainville office in Buka in early 2017.

Results

In November 2016, Bougainville Copper Foundation Limited (BCF) became a fully owned subsidiary of BCL after Rio Tinto divested its 100% shareholding in the foundation. The balance sheet of BCF is consolidated with BCL as at 31st December 2016.

For the year ended 31st December 2016, the company recorded a loss of K5.2 million (K3.8 million on consolidation) compared to a planned loss of K13.8 million. During 2016 expenditure was curtailed apart from costs associated with making the 1990/91 landowner compensation payments, due to shareholder uncertainty and issues surrounding tenure.

Income was K6.3 million (K7.7 million on consolidation) the company recognised sundry income of K1.3 million on the valuation of assets acquired when Rio Tinto divested its shareholding in BCL. On consolidation of BCF a further K1.4 million of income was recognised. Interest and dividend income was slightly below budget.

The company will not pay a dividend. There are sufficient funds to cover recurrent expenditure under the current plan, and the company is debt free.

New Company Policies

As an independent company BCL has developed a set of standalone policies as well as reviewing its Board charter and Audit and Risk committee charter. The BCL policies include: Code of Conduct, Disclosure and Communications, Diversity and Inclusion, Business Integrity, Risk, Regulatory Compliance, Safety and Health, Remuneration, Environmental, Community, Travel, Expenditure Authority and Trading. The Board has approved the new policies and all employees have been inducted. The Charters and Policies can be found on the BCL website.

Governance and Risk Management

BCL has governance reporting obligations to the Australian Securities Exchange (ASX). A statement on the company's compliance with the ASX Corporate Governance Principles and Recommendations is contained within this report. In addition, the company complies with BCL's comprehensive set of policies as outlined above.

BCL places an uncompromising emphasis on hazard identification, risk assessment and risk management. BCL management undertakes regular risk assessments to identify major risks and opportunities facing the company. The Board and the Audit and Risk Committee reviews the quality of risk assessments and monitors the actions arising to mitigate risk.

Safety

BCL believes that a safe and healthy workforce is essential to business success and sustainability and is committed to achieving zero harm. Safety is a paramount value such that work is only undertaken when it is safe to do so.

Communities

In late 2016, the first phase of a jointly developed ABG/BCL plan to settle the outstanding 1990/91 landowner compensation payments was undertaken. The first phase involved community forum visits to each landowner location to explain the payment process and validate individual payments. Compensation payments commenced in early 2017 and will be completed according to the joint ABG/BCL plan. The community forums were the first visit by BCL representatives to the previous mine-affected areas in 26 years.

BCL also intends to establish an office in Buka in early 2017 and later in Arawa, as part of the implementation of a broader-based community engagement plan.

The Bel Kol ceremony as previously planned is under review with a localised ceremony under consideration.

New Panguna Development Planning

Development of the new Panguna project will require a staged development plan to be agreed by all major stakeholders.

There are several conditions to be met before proceeding to feasibility studies and project development. Meeting these conditions should lead to an uplift in shareholder value and pave the way for BCL to access development funding. The conditions include:

- mutually agreed and publicly articulated support from both Governments,
- unimpeded safe and secure access to the project area
- a mutually agreed regulatory and fiscal regime,

- reservation of land to accommodate all aspects of development,
- consolidate community support for project development
- Initiate a project agreement
- Undertake scoping study to demonstrate technical, social and financial viability
- Initiate environmental and social baseline studies

BCL recognises that these conditions will take time and that BCL will work closely with both governments to address these and other development matters.

Bougainville

The relationship between President Momis, his Government and BCL remains engaged and cordial. The recent jointly coordinated payment of the 1990/91 landowner compensation is evidence of close cooperation.

The ABG continues to be budget constrained and remains highly reliant on PNG and donor agency funding.

Local communities and families continue to normalise society. However weapons disposal continues to be a challenge and priority of the ABG. In May 2016, the ABG President John Momis and PNG Prime Minister Peter O'Neill agreed to work towards a 2019 referendum on Bougainville Independence. After this President Momis has set the 15th June 2019 as the date.

Financial Assets

BCL's financial assets continue to be cash and Australian equities. Interest and dividends from these assets continue to partially fund the Company's ongoing activities. It is envisaged that this investment strategy will be maintained through the coming year and that equities will only be sold if necessary to fund our ongoing operations.

Bougainville Copper Foundation

Bougainville Copper Foundation (BCF) became a fully owned subsidiary of BCL in November 2016. On consolidation, a gain on acquisition of K1.4 million was recorded in sundry income of BCL.

BCF continues as a "not for profit" company. In 2016 the BCF funded over 100 student scholarships for Bougainvilleans in disciplines that will directly benefit the development of Bougainville.

The foundation has limited liquid assets and will continue to be supported by BCL in 2017. The Board of BCL will review the BCF and its activities in the current year.

Board

As noted, Rio Tinto's divestment of its shareholding in BCL on the 30th June 2016 triggered the resignation of two Rio Tinto employees, the chairman Mr Peter Taylor and non-executive director Mr Adam Burley. The Board appointed independent non-executive director Robert Burns as the new

Chairman and appointed Sir Moi Avei as an independent director. Sir Moi's experience is welcomed and will contribute to the Company's performance.

I acknowledge the outstanding leadership and service that Peter Taylor has given BCL over a long period as director from 1997 to 2000, Managing director from 2000 and Chairman from 2003 to 2016. I am also glad to report that Peter Taylor's services have been retained as a consultant to the Board.

In conclusion and the year ahead

The departure of Rio Tinto empowers BCL as an independent company to directly plan to achieve its vision to return to active exploration and to develop the Panguna project in a manner that is profitable and sustainable for the benefit of stakeholders. The ABG and PNG Governments have indicated support for the re-opening of Panguna and BCL as developer.

Development of Panguna is an extremely challenging task which will require a staged development plan supported by all major stakeholders. BCL is working with both governments to address the crucial conditions that are required to pave the way for development funding such as secure title, stakeholder project support, and workable regulatory regime.

Details of BCL's development plan is available on our website and through the Australian Securities Exchange.

I look forward to updating shareholders on our progress.

Rob S Burns

Chairman **28th February 2016**

Directors' report

The directors of Bougainville Copper present their report on the audited financial statements of the company for the year ended 31 December 2016.

Financial Summary:

For the year ended 31st December 2016, the company had a K5.2 million loss compared to K6.4 million loss before tax in 2015 (K3.8 million loss on consolidation). Income from interest and dividends was slightly below budget. A K1.3 million gain on acquisition of the Rio Tinto assets in Port Moresby was recorded and on consolidation of the Bougainville Copper Foundation Limited, a fully owned subsidiary from November 2016, a further K1.4 million was sundry income was recorded. Operating Costs were under budget.

Directors:

The current directors of Bougainville Copper at present are:

Robert S Burns FRMIT (Primary Metallurgy) FAusIMM MAICD
Appointed Chairman in July 2016

Robert Burns has over 40 years mining industry experience. Robert retired from Rio Tinto in 2009 after 30 years' service in a range of operational, development and business improvement roles including seven years with Bougainville Copper. Since leaving Rio Tinto, Robert has been a mining consultant and company director. Current roles include Chairman of Indian Pacific Resources, Chairman of Redhill Mining Hang Hong and EMR Capital Investment committee. Robert was appointed director of Bougainville Copper in 2006 and Chairman of the Board of directors in July 2016.

Sir Rabbie L Namaliu GCL CSM KCMG BA MA HON.LLD
Appointed a director from March 2011.

Sir Rabbie served as prime minister of Papua New Guinea between 1988 and 1992 and was a former speaker of the national parliament between 1994 and 1997. Sir Rabbie served as Foreign Affairs and Immigration Minister from 2002 to 2006 and Minister for Treasury between 2006 and 2007. Sir Rabbie is chairman and non-executive director of Kina Securities Limited, Kina Asset Management Limited, Kina Institutional Superannuation Services, the Kina Group and Kramer Ausenco. Sir Rabbie is a non-executive director of InterOil Corporation, Era Resources Inc (formerly Marengo Mining Limited) and the Post Courier. Sir Rabbie is a member of the PNG Institute of Directors.

Dame Carol A Kidu DBE
Appointed a director in April 2013.

Dame Carol retired from the Papua New Guinea parliament in 2012 after 15 years in politics. Dame Carol was the Minister for Community Development for nine years and finished her political career as leader of the opposition. Dame Carol focused on legislative and policy reform for social development. Dame Carol established the parliamentary committee on HIV in 2003 and the Papua New Guinea parliamentary group on population and development in 2008. Dame Carol has been awarded four honorary doctorates (UNRE- Rabaul, UPNG, Queensland University and Deakin University). She is the inaugural Sir Ebia Olewale Chair of PNG Studies at Deakin University. Dame Carol is the principal of CK Consultancy Limited.

Sir Moi Avei KCBE
Appointed a director from 12th September 2016

Sir Moi is a senior statesman of Papua New Guinea and former parliamentarian. He was Deputy Prime Minister from 2004 to 2006 and held ministerial portfolios including Higher Education, National Planning, Bougainville Affairs and Petroleum and Energy. He holds a Bachelor Degree from the University of Queensland, Australia. Sir Moi is currently the Chairman of Kumul Petroleum Holdings, OK Tedi Mining, Pacific International Hospital and PNG Water Limited. He is also a Director of LABA (SPI) Logistics Limited and SPI Joint Venture Limited. Additionally he is also Chairman of a number of landowner companies.

Peter R Taylor BA BSc LLB LLM FAICD
Peter Taylor resigned as chairman and managing director on 30th June 2016 after 19 years as a director inclusive of 13 years as chairman

Adam J Burley Master of Geology (Hons)
Adam Burley resigned as a director on 30th June 2016 after 3 years as a director.

Activities:

Bougainville Copper has produced copper concentrate containing gold and silver from a mine at Panguna, Bougainville, Papua New Guinea, from 1972 until operations were suspended due to militant activity, in May 1989. The company now derives investment income. The company acquired a fully owned subsidiary when it acquired the shares in Bougainville Copper Foundation Limited in November 2016.

Net earnings:

The net loss after tax of Bougainville Copper for 2016 was K5.2 million (2015: K37.9 million) and K3.8 million on consolidation.

Taxation:

No future income tax benefits have been recognised in the accounts.

Share capital:

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

Long term loans:

The company has no loans and no lines of credit are in place.

Dividends:

The directors have not declared a dividend for 2016.

Accounting policies:

There have been no changes made in the company’s accounting policies during 2016.

Directors' interests:

Directors' interests in the share capital of the company and its related companies as at 20th February 2016 were:

Robert S Burns		No interests
Dame Carol A Kidu		No interests
Sir Rabbie L Namaliu	Shares – Bougainville Copper Limited	1,000
Sir Moi Avei		No interests

Interests register:

There were no transactions recorded in the Interests register during the year, other than the directors' interests in the shares of the company as shown above.

Auditors:

The retiring auditors, PricewaterhouseCoopers, being eligible, offer themselves for re-appointment. Details of amounts paid to the auditors for audit and other services are shown in note 4 to the financial statements.

Remuneration of employees:

The company has four full time employees. Prior to the 12th September 2016 all administrative services were provided by Rio Tinto PNG Limited on an at cost basis.

Remuneration of directors:

The amount of directors' remuneration, including the value of benefits, received during the year is shown in note 14 to the financial statements.

Donations:

Bougainville Copper Limited does not make political donations. The Bougainville Copper Foundation continues to provide educational scholarships to Bougainvillean tertiary students. Bougainville Copper Limited provides funding and administrative support to the Foundation.

Environment:

Mining operations of the company were suspended in 1989 and the company has not had access to its mine site to assess environmental circumstances. The company is not aware of any liability being incurred under any environmental legislation.

Additional information:

The directors also state that:

1. There were no significant changes in the state of affairs of the company during the year except as noted below.

2. The company has adopted its own policies and procedures.

3. The results of the company during the financial year have not been, in the opinion of the directors, substantially affected by events of a material and unusual nature other than contained in this report.

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

   (i) operations of the company
   (ii) results of those operations or
   (iii) state of affairs of the company in the financial year subsequent to 31st December 2016.

5. No director has an interest in any contract or proposed contract with the company, nor is any director party to any material contract involving directors' interests, or 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 have been granted by the company during the financial year or since the end thereof; no shares of the company were issued during the year or have been issued since the end thereof by virtue of the exercise of any option granted by the company; and no options over shares of the company are outstanding at the date of this report.

Signed on 28th February 2017 in accordance with a resolution of the directors of Bougainville Copper Limited.

Robert S Burns
Chairman

Sir Rabbie L Namaliu
Director

Resource statement

In 2012, Bougainville Copper Limited (BCL) prepared an OMS (order of magnitude study) to evaluate the technical and financial viability of re-opening the Panguna mine. As part of the OMS a revised Mineral Resource was reported in accordance with the JORC code (2012). The 2012 Mineral Resource was estimated using geological, mine planning and production data archived in 1989. The archived data sets (including 80,778m of diamond drilling, 4,700m of underground sampling and production blast hole sampling) were reviewed and validated by Rio Tinto and ex BCL staff.

During the operating period the geological block model underestimated the copper production by approximately five per cent. This low bias was principally attributed to the drill spacing being too wide to sufficiently sample relatively narrow high grade zones within the ore body, and to material lost during the diamond drilling process. Although the bias has been identified, at this stage no upgrade has been applied to the remaining Resource. No additional geological data was collected from the deposit as part of the 2012 OMS, although potential remediation, redevelopment, mining and processing assumptions were updated.

The 2016 Mineral Resource is a re-statement of the 31st December 2015 figures after reconfirmation of economic viability. Technical studies supporting the statement remain current and an updated JORC Table 1 fact sheet outlining additional technical assumptions supporting this Resource statement can be found on the company web site at www.bcl.com.pg

The Mineral Resource is quoted as DFO (direct feed ore) above a 0.24 per cent copper cut-off grade and PCS (pre-concentrate screening) above cut off grades of 0.16 per cent to 0.20 per cent copper within a confining conceptual pit design based on conventional truck and shovel mining and a potential 60 million tonnes a year processing rate.

Panguna Mineral Resource Update

	As at 31 December 2015					As at 31 December 2016				
	Tonnes (Mt)	Cu grade (%)	Au grade (g/t)	Cu (Mt)	Au (Moz)	Tonnes (Mt)	Cu grade (%)	Au grade (g/t)	Cu (Mt)	Au (Moz)
Resource										
Measured	0	0	0	0	0	0	0	0	0	0
Indicated	1,538	0.3	0.33	4.6	16.1	1,538	0.3	0.33	4.6	16.1
Inferred	300	0.3	0.4	0.7	3.2	300	0.3	0.4	0.7	3.2
Total	**1,838**	**0.3**	**0.34**	**5.3**	**19.3**	**1,838**	**0.3**	**0.34**	**5.3**	**19.3**

Competent person statement

The information presented in this release relates to Mineral Resources determined for the Panguna project, and contains details of mineralisation that has a reasonable prospect of being economically extracted in the future, but which is not yet classified as Proved or Probable Ore Reserves. This material is defined as a Mineral Resource under the JORC code (2012). Estimates of such material are based largely on geological information with only preliminary consideration of mining, economic and other factors. While in the judgement of the competent person there are realistic expectations that all or part of the Mineral Resources will eventually become Proved or Probable Ore Reserves, there is no guarantee that this will occur as the result depends on further technical and economic studies and prevailing economic conditions in the future.

The information in this statement that relates to mineral resources is based on information compiled by Mr James Pocoe and Mr Gerald Clark who are members of the Australasian Institute of Mining and Metallurgy. Mr Pocoe and Mr Clark are independent geological consultants. Mr Pocoe and Mr Clark have experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they have undertaken to qualify as a competent person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves'. Mr Pocoe and Mr Clark both consent to the inclusion in the press release of the matters based on their information in the form and context in which it appears.

Corporate governance statement

For the year ended 31 December 2016

This Corporate Governance Statement (CGS) is provided by the Directors of Bougainville Copper Limited, a company incorporated in Papua New Guinea A.R.B.N. 007 497 869 (Company) (ASX: BOC) pursuant to ASX Listing Rule 4.10.3 and reports against the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations' 3rd Edition, including the eight principles and 29 specific recommendations included therein (Recommendations). This CGS was approved by a resolution of the Board of the Company dated 21st February 2017 and is effective as at 21st February 2017 and is in addition to and supplements the Company's Appendix 4G which is lodged with the ASX together with this CGS. The following describes how BCL complies with the eight principles of the Corporate Governance Principles and Recommendations' 3rd Edition

Principle 1: Lay solid foundations for management and oversight

The Company has adopted a Board Charter, which underpins the strategic guidance and effective management oversight provided by the Board. The Board Charter discloses specific responsibilities and functions of the Board and provides for the division of responsibility between Board and management by formal delegation and a system of board reserve powers. Prior to 12th September 2016, Rio Tinto provided management services to the Company pursuant to the Management Services Agreement. On 12th September 2016, the Management Services Agreement between the Company and Rio Tinto was terminated. As a result, the Company is now an independently managed Papua New Guinea company. Since 12th September 2016, the Company Secretary and Community Relations Manager have provided management services to the Company under consultancy services agreements. On 1st January 2017 an Executive General Manager was retained under a consultancy services agreement. Going forward, due to the Company's small size and non-operational status, there is no Managing Director. The Company intends that the management team will report directly to the Chairman of the Board.

The board reviews the Board Charter on an annual basis. The Board Charter is available at http://www.bcl.com.pg/investors-2/charters-important-documents/. The roles and responsibilities of the board, the Company's chairman, individual directors and management are outlined in various sections of this CGS and in the Company's Board Charter, specifically the following paragraphs of the Company's Board Charter:

(i) Board – The role of the Board is to determine on behalf of shareholders the strategic direction of the Company, regularly review the appropriateness of it and oversee its implementation.

(ii) Management – It is not the role of the Board to manage the Company itself but rather to monitor the management and performance of the business.

The board is responsible for setting and reviewing the strategy and business plans of the Company, and monitoring the performance of the Company against these plans. The directors also monitor compliance with policies prescribed by the board in areas such as code of conduct, workplace health and safety, environment, business integrity, internal control and risk management. These policies are designed to ensure that the Company complies with the regulatory requirements governing its operations. Without intending to limit this general role of the board, the specific functions and responsibilities of the board include those matters particularised in the Company's Board Charter. Management is separately responsible for the ongoing management of the Company in accordance with the strategy and business plans approved by the Board as outlined in the Company's Board Charter. Due to the Company's small size and non-operational status, there is no Managing Director. The Company intends that the management team will report directly to the Chairman of the Board.

In carrying out its responsibilities and powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Company's shareholders and all other stakeholders.

The Company undertakes such checks as it considers appropriate in order to verify a person's character, experience, education and background prior to their appointment or re-appointment as a director, or putting them forward to shareholders as a candidate for election or re-election as a director. The Company does not have a nomination committee as recommended by the ASX Principles. The board considers that its existing practices in reviewing director competencies, board succession planning, board performance evaluation and director selection and nomination, carried out in accordance with the Board Charter, are satisfactory and are appropriate given the size of the board, the Company's current ownership structure and the non-operational status of the Company's operations.

The Company provides shareholders with all material information in its possession relevant to its decision on whether to elect or re-elect a director as part of the information circular for each annual general meeting of the Company.

Prior to nomination of a prospective non-executive director for election or re-election, the board obtains from the prospective candidate:

- details of other commitments of the candidate and an indication of time involved; and
- an acknowledgement to the Company that the candidate will have sufficient time to fulfil responsibilities as a director.

When a candidate stands for election or re-election as a director, the following information is provided to shareholders on the Company's website and within the Company's Annual Report at pages 9 and 10 to enable shareholders to make an informed decision in relation to that vote:

- biographical details, including relevant qualifications and experience and the skills the candidate will bring to the board;
- details of any other material directorships currently held by the candidate;
- details of any relationship between the candidate and the Company, and the candidate and the Directors of the Company;
- (if the candidate is standing for re-election) the term of office currently served by the director;
- any other particulars required by law.

At the time of joining the Company, directors and senior executives are provided with written agreements setting out the terms of their appointment.

(i) Directors – are provided a letter of appointment outlining their duties and responsibilities.

(ii) Senior Executives – The Company retains the services of management and consultants under consultancy services agreements.

The company secretary is accountable directly to the board through the chairman. Responsibilities of the company secretary include providing advice and support to the board and its committees, managing the day to day governance of the Company and assisting with all matters to do with the proper functioning of the board. The company secretary's role includes responsibility for governance, administrative and legislative matters including ensuring that the board processes, procedures and policies are run efficiently and effectively. The company secretary has a direct line of communication with each director. The appointment of the company secretary is approved by resolution of the board.

The board has adopted a Diversity Policy, which outlines the Company's commitment to ensuring a diverse mix of talent and skills amongst its directors, officers and employees to enhance the Company's financial performance. The Diversity Policy details the board's commitment to engaging directors, contracting management and employees with the best mix of qualifications, skills and experience to develop a cohesive team to achieve business success regardless of gender, age or cultural background.

The Diversity Policy is available at http://www.bcl.com.pg/investors-2/company-policies/. The Board recognises the importance of diversity to corporate success and considers diversity when appointing people to the Board or contracting their services.

Given the size of the board, the non-operational status of the Company and the challenging labour market in Papua New Guinea, the board considers that it is not practical to set measurable objectives for achieving gender diversity as recommended by the ASX Principles. Further, while gender diversity is important, the priority for the Company when recruiting is diversity of experience, background and nationality. As the Company's operations develop, it will consider adopting and setting measureable objectives for achieving gender diversity.

(i) In terms of the representation of women in the organisation, the Company has one female director, Dame Carol Kidu and one of the four full time employees is female.

(ii) The Company is not a 'relevant employer' under the Workplace Gender Equality Act 2012 (Cth) because it is not a registered higher education provider or an employer of 100 or more employees in Australia.

The board has a practice of annual self-assessment.

In 2016, the board performed its annual evaluation which:

- considered the performance of the directors and the board and the adequacy of the board's structures and processes, including the Board Charter;
- considered goals and objectives of the board for the upcoming year; and
- considered whether any improvements or changes to the board structures and processes, including the Board Charter and Audit and Risk Committee Charter, were necessary or desirable.

The process of evaluation and self-assessment took the form of a questionnaire completed by each of the directors. Following collation, the results and the adequacy and appropriateness of the self-assessment process were considered and discussed by the directors at the next board meeting, and follow-up actions were determined.

The Chairman of the board is responsible for performing the collation and review of the individual directors' responses and presents the results to the Board for discussion and action. The last review was concluded in February 2017.

The Board Charter sets out the process to be followed in evaluating the performance of senior executives. Senior executives are retained on Consultancy Services agreements. Management's performance is subject to review in accordance with the Company's performance evaluation process as described in the 2016 annual report of the Company.

Performance evaluations were undertaken in accordance with the Company's performance evaluation process. Management's performance was reviewed during 2016 in accordance with the Company's performance evaluation process.

Principle 2: Structure the board to add value

The Company does not have a separate nomination committee for the selection, appointment and re-appointment of directors to the board, as recommended by the ASX Principles. The board, as a whole, currently serves as the Company's nomination committee, with terms of employment negotiated by Company management and, where appointment is for senior executives, for recommendation to the board.

The Board oversees the appointment and induction process for directors and the selection, appointment and succession planning process of the Company's executive management. The appropriate skill mix, personal qualities, expertise and diversity are factors taken into account in each case. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the required skills. The board considers that its existing practices in reviewing director competencies, board succession planning, board performance evaluation and director selection and nomination, carried out in accordance with the Board Charter, are satisfactory to allow the Company to properly fulfil its responsibilities effectively and are appropriate given the size of the board, the Company's current ownership structure and the non-operational status of the Company's operations. The board will continue to monitor and review the director selection process with appropriate actions implemented where operationally desirable and strategically appropriate.

The board determines the procedure for the selection and appointment of new directors and the re-election of incumbents in accordance with the Company's Constitution and having regard to the ability of the individual to contribute to the ongoing effectiveness of the board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

Qualification for board membership is related to the mix of skills and knowledge that the board considers will best serve the interests of the Company and all of its shareholders. The board seeks a mix of skills suitable for a small resources company. The mix of skills comprised in the current board, and that the board would look to maintain, and build on, includes:

- mining and production industry expertise;
- expertise in management and governance;
- high level of business acumen;
- technical expertise;
- ability to think and plan strategically;
- relevant team oriented behavioural characteristics (such as effective communicators and listeners); and
- Papua New Guinea cultural, community, social and political knowledge and expertise.

The mix of skills of the current board is set out in the Company's annual report.

The board consists of four independent non-executive directors, Robert Burns, Sir Rabbie Namaliu, Dame Carol Kidu, and Sir Moi Avei. Each director is not in any other relationship with the Company, the management of the Company or a substantial shareholder of the Company affecting their independent status.

The directors were appointed to the board as follows:

- Mr Robert Staley Burns — 3rd January 2006
- Sir Rabbie Langanai Namaliu — 2nd March 2011
- Dame Carol Anne Kidu — 9th August 2012
- Sir Moi Avei — 12th September 2016

Directors appointed by the board are required by the Company's Constitution to submit themselves for election for a further three years, by shareholders at the annual general meeting following their appointment.

Directors are subject to retirement by rotation at least every three years in accordance with the Company's constitution, but may offer themselves for re-election. There is no share ownership qualification for appointment as a director.

The board consists of four independent non-executive directors. For the purposes of determining director independence, the board considers the following factors:

- whether within the last three years the director or a close family member has:
  - been a part of the executive management of the Company, or
  - been a partner, director or senior provider of material professional services to the Company;
- whether the director or a close family member is, or is associated with, a substantial shareholder (more than five per cent of the voting shares) in the Company;
- the director's cross directorships or significant links with or involvement in other companies;
- the director's length of service on the board; and
- whether within the last three years the director or a close family member has had, either directly or indirectly and whether as principal, employee or consultant, a material (more than 2 per cent of the Company's or the counterparty's consolidated gross revenue per annum) business relationship with the Company, whether as an auditor, professional adviser, supplier or customer.

All directors are required to, and do, bring independent judgment to bear on board decisions and act in accordance with their statutory duties of good faith and proper purpose, and in the interests of all shareholders.

Any contracts which may exist or be entered into from time to time in the ordinary course of business between the Company and any company in which a director has declared an interest will be reviewed for materiality to both the Company and the other party to the contract.

All related party transactions, have been determined by the independent directors to be in the interests of the Company.

The directors can seek independent professional advice, at the Company's expense, in furtherance of their duties. The board has adopted a procedure for directors wishing to seek such advice to do so by arrangement with the company secretary.

The chairman of the board is Mr Robert Burns who is an independent director. The Company does not have a Managing Director and as such the role of chairman and Managing Director are not exercised by the same individual.

Directors receive formal appointment letters setting out, amongst other things, the expectations of their appointment.

Incoming directors receive an induction to ensure they have a working knowledge of the Company, the political climate of the region in which its assets are situated, its culture and values and the metal mining industry. All directors are expected to maintain the skills required to effectively discharge their obligations to the Company and are provided with resources to help develop and maintain their skills and knowledge. Directors are encouraged to pursue and participate in appropriate continuing education and professional development opportunities so as to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Directors are provided with board papers prepared by management prior to each board meeting. These papers include an update from Company management, financial information and other strategy related documents. The directors also receive ongoing briefings on developments in accounting standards.

Principle 3: Act ethically and responsibly

The Board Charter requires that the board complies with the Company's Code of Conduct. The Code of Conduct is available online at http://www.bcl.com.pg/investors-2/charters-important-documents/ The Code of Conduct promotes business practices to maintain the Company's integrity and reflects the Company's commitment to ethical and responsible decision-making. It is a meaningful statement of the Company's core values and is promoted as such across the Company and reinforced by proper training and proportionate disciplinary action if it is breached. The Company's directors, consultants, senior executives, employees, consultants and contractors are required to comply with this policy when dealing with each other, shareholders, customers and the broader community. All consultants and contractors are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Papua New Guinea and in every other country in which the company engages in business.

Other policies, codes and charters adopted by the Company which provide a framework for decisions and actions in relation to ethical conduct in employment include:

- Audit and Risk Committee Charter; and
- Business Integrity Policy.

A copy of each policy, code and charter is available on the Company's website http://www.bcl.com.pg/investors-2/legal/).

Principle 4: Safeguard integrity in corporate reporting

The Company has an Audit and Risk Committee, which is appointed by the board and is comprised of four non-executive, independent directors. The Audit and Risk Committee provides the transparency, focus and independent judgement needed to oversee the Company's corporate reporting progress. The present members of the Audit and Risk Committee are Robert Burns (Chairman), Dame Carol Kidu, Sir Rabbie Namaliu and Sir Moi Avei. The company secretary and external auditors are available to attend meetings. All members of the Audit and Risk Committee are financially literate.

The Audit and Risk Committee has adopted a formal charter which sets out the role and terms of reference of the Audit and Risk Committee and is reviewed regularly. The Audit and Risk Committee charter is available at http://www.bcl.com.pg/investors-2/charters-important-documents/, and includes information on the requirements for selecting an external auditor.

The qualifications and experience of the committee members is outlined in the Directors' Report on page 9 of the 2016 Annual Report.

The Audit and Risk Committee provides a formal structure for reviewing the Company's financial statements, accounting policies, control systems, risk management practices and taxation issues, and for liaison with the external and internal auditors. The Audit and Risk Committee also reviews the adequacy of internal and external audit arrangements on an annual basis.

The Audit and Risk Committee advises the Board of any matters that might have a significant impact on the financial condition of the Company and has the authority to investigate any matters within the terms of reference, having full access to the information and resources of the Company to fulfil its function.

Related party transactions are considered by the Audit and Risk Committee. The Audit and Risk Committee reviews compliance with the Papua New Guinea Companies Act 1997, Corporations Act, where appropriate, and the requirements of the ASX and other regulatory requirements.

The Audit and Risk Committee held four scheduled meetings during 2016, and attendance details of the 2016 meetings of the Audit and Risk Committee are set out in the table below.

Director	Meetings attended	Meetings whilst in office
Robert Burns (Chairman)	Four	Four
Sir Rabbie Namaliu	Three	Four
Dame Carol Kidu	Four	Four
Sir Moi Avei	One	One

Any work conducted by the external auditor, other than the statutory audit, is approved by the Audit and Risk Committee.

As a foreign registered company, the Company is not required to comply with section 295A of the Corporations Act with respect to declarations in relation to financial statements by the CEO and CFO. However, the Board ensures that it receives the appropriate declarations and assurances including a declaration from the Chairman of the board and the company secretary that accounts have been reviewed and, in their opinion:

- the financial records of the Company for the financial year ended 31st December 2016 have been properly maintained; and
- the financial statements for the financial year ended 31st December 2016 comply with the appropriate accounting standards; and
- the financial statements and notes give a true and fair view of the financial position and performance of the Company and are based on a sound system of risk management and internal control.

The Company's external auditor, PricewaterhouseCoopers, attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. The shareholders are provided a mechanism to submit written questions regarding the auditor's report to the auditors via the Company prior to the annual general meeting, and these questions and answers are made available at the annual general meeting.

Principle 5: Make timely and balanced disclosure

The Company makes full and immediate disclosure of material information to its shareholders and the market in accordance with its disclosure obligations under the ASX Listing Rules. In particular, to ensure that trading in its securities takes place in an informed market, the Company has adopted a Continuous Disclosure Policy, which is designed to ensure compliance with the ASX Listing Rules on continuous disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.

The Disclosure and Communications Policy is available at http://www.bcl.com.pg/investors-2/company-policies/.

Established reporting systems are in place to ensure compliance with ASX requirements.

Principle 6: Respect the rights of security holders

The Company recognises the importance of effective communication with shareholders and the general investment community. Apart from the Company's compliance with its continuous disclosure obligations, the Company keeps investors informed of its corporate governance, financial performance, strategy and prospects via releases to the market via the ASX, the Company's website (http://www.bcl.com.pg/), information mailed and emailed to shareholders and general meetings of the company. The information provided is balanced and understandable.

This communications program gives shareholders ready access to information and is contained within the Company's policies titled "Code of Conduct – Obligations to Stakeholders" and "Disclosure and Communications Policy". The policies are available on the Company's website.

The communications program outlined above includes an investor relations program to facilitate two-way communication with investors. The Company allows shareholders to send communications to the Company and its security registry electronically.

The communications program includes shareholder communications. The Company also encourages shareholders to attend the Company's annual general meeting and to ask questions of the Board and the Auditor and/or to submit questions in writing in advance. At each annual general meeting the board also ensures that:

- a representative of the Company's auditors is in attendance to respond directly to questions on audit related matters; and
- information about the current developments is provided at the meeting, to make it easy for shareholders to participate and ask questions.
- the chairman of the board of directors presents an address to the Annual General Meeting of current developments

The Company encourages shareholders to communicate via the Company's website (http://www.bcl.com.pg/), by facsimile and by telephone. Additionally, details of ASX announcements and Company reports are made available via the Company's website and are distributed to interested parties via email if requested.

The Company's share registry also engages with shareholders electronically. Shareholders can contact the company's registrar, Computershare Investor Services Pty Ltd, to access their personal information and shareholders via the Company's website and the internet. The share registrar's also distribute statutory documents to shareholders such as annual reports and financial statements.

Principle 7: Recognise and manage risk

The Company does not have a separate risk committee as recommended by the ASX Principles, but does combine the function within the Audit and Risk Committee responsibilities. For further information on the function of the Audit and Risk Committee refer to *Safeguard Integrity in Corporate Reporting.*

The Company has in place policies and procedures, including a risk identification and management framework (described below), which are continually being developed and updated to help manage material business risks. These policies and procedures have been adopted by the board, with primary oversight by the Audit and Risk Committee, to ensure that potential business risks are identified and appropriate action is taken. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the board with primary oversight from the Audit and Risk Committee] The Audit and Risk Committee charter is available at http://www.bcl.com.pg/investors-2/charters-important-documents/.

A summary of the Company's risk identification and management policies is set out below:

- the Company benefits from a Risk Management Policy , formally adopted by the Board, which can be accessed at http://www.bcl.com.pg/investors-2/company-policies/, as well as practices on risk management and corporate assurance developed to manage the Company's business activities;
- the Audit and Risk Committee biannually receives a report from management to identify and review all of the business risks facing the company. The Audit and Risk Committee report the findings to the board;
- management provide an annual certificate of compliance to the board and provides periodic reports and information confirming the status and effectiveness of the plans, controls, policies and procedures implemented to manage business risks. The Chairman and Company Secretary endorse the certificate;
- board approval is required before capital expenditure and revenue commitments exceed certain approved levels as outlined in the Authority Levels and Internal Control Policy which is available at http://www.bcl.com.pg/investors-2/company-policies/;
- the Company has in place a regulatory compliance program;
- a safety , health , community and environmental policies are in place, with appropriate management systems which recognise the Company's commitment to achieving high standards of performance in all its activities in these areas; and
- a formal risk analysis involving the senior management is facilitated annually by a professional facilitator specialising in risk issues. The company's risk register is updated. The outcomes were reviewed by the board and audit and risk committee.

Management provides reports to the board (through the Audit and Risk Committee) relating to the effectiveness of the internal controls and the management of material business risk. In addition, the board monitors the Company's material business risks on an ongoing basis.

The Company does not maintain an internal audit function. The Company's is non- operational and of a size that does not warrant an internal audit function. The Audit and Risk Committee regularly review the level of segregation particularly in relation to processes and procedures around things such as payment authorisations and limits of authority and awareness and compliance with the Authority Level and Internal Controls Policy. The Board and the Audit and Risk Committee maintain oversight of organisational risks including financial risks. The Audit and Risk Committee is responsible for reviewing and improving the Company's risk management framework and internal control processes.

The Company, as a dormant mining and production company, faces risks in its activities, including economic, environmental and social sustainability risks, which may materially impact the Company's ability to create or preserve value for shareholders over the short, medium or long term. The Company manages these risks by having in place a number of risk identification and management policies, which are available at http://www.bcl.com.pg/investors-2/company-policies/.

Principle 8: Remunerate fairly and responsibly

The Company does not have a remuneration committee or remuneration policy as recommended by the ASX Principles.

The Company has not followed this recommendation as the Board does not believe a separate remuneration committee or policy would benefit the Company and its shareholders given the Company has a small board, does not have any employees and is not operational. Further, the Company's shareholders vote on and approve the limits within which the board can set non-executive director remuneration.

In determining non-executive director remuneration, the maximum limit for directors' remuneration is determined by shareholders in a general meeting. Within that limit the remuneration of directors is generally

determined by the board after taking into account data on market remuneration levels. At the 2009 annual general meeting, the shareholders approved an increase in non-executive directors' fees to A$55,000, non-executive chairman fees to A$110,000 and an additional A$10,000 per annum for directors that are members of the Audit and Risk Committee. Directors are not entitled to retirement benefits.

The Company has four full time employees as part of the Company's management team. Remuneration is governed by a Compensation Policy, available at http://www.bcl.com.pg/investors-2/company-policies/

The Company has adopted the "rules for dealing in securities of BCL, its subsidiary and associated companies" (BCL Rules For Dealing), which reinforces the prohibition against insider trading to all directors of the Company. This share trading policy is available at http://www.bcl.com.pg/investors-2/company-policies/. The BCL Rules For Dealing require that for all dealings in the Company's securities:

- directors and employees must advise the chairman of the Board in writing, and receive approval in writing from the chairman, if they intend to purchase or sell securities in the Company. In regard to his own dealings, the chairman is required to notify the chairman of the Audit and Risk Committee; and
- no dealings in securities of the Company may take place in the period from the end of any relevant financial period to the trading day following announcement of the Company's annual results or half year results.

Statements of comprehensive income

Bougainville Copper Limited year ended 31 December 2016	Notes	Consolidated 2016 K'000	Parent 2016 K'000	Parent 2015 K'000
Income				
Interest		**148**	**148**	1,029
Exchange gains	7	**28**	**28**	30
Other Income	3	**3,012**	**1,568**	-
Dividends		**4,547**	**4,547**	3,778
		7,735	**6,291**	4,837
Cost and expenses				
Operating expenses	4	**(11,522)**	**(11,522)**	(11,282)
		(11,522)	**(11,522)**	(11,282)
Loss before tax		**(3,787)**	**(5,231)**	(6,445)
Income tax	5	**-**	**-**	(31,418)
Loss after tax		**(3,787)**	**(5,231)**	(37,863)
Other comprehensive income (loss)				
Items that may be subsequently reclassified to profit or loss (no tax effect):				
Changes in the fair value of available for sale financial assets	13	**1,859**	**1,859**	1,795
Total other comprehensive income (loss)		**1,859**	**1,859**	**1,795**
Total comprehensive income (loss) for the year		**(1,928)**	**(3,372)**	(36,068)
Basic and diluted earnings per share (toea)		(0.94)	(1.30)	(9.44)

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 28 to 46 form part of these accounts and are to be read in conjunction with them.

Statements of changes in equity

Bougainville Copper Limited year ended 31 December 2016

Parent	Share capital	Fair value reserve	Accumulated Losses	Total
	K'000	K'000	K'000	K'000
Brought forward at 01.01.15	401,063	36,832	(286,492)	151,403
Profit (loss) for the year	-	-	(37,863)	(37,863)
Other comprehensive income (loss) for the year	-	1,795	-	1,795
Balance at 31.12.15	401,063	38,627	(324,355)	115,335
Profit (loss) for the year	-	-	(5,231)	(5,231)
Other comprehensive income (loss) for the year		1,859	-	1,859
Balance at 31.12.16	401,063	40,486	(329,586)	111,963

Consolidated	Share capital	Fair value reserve	Accumulated Losses	Total
	K'000	K'000	K'000	K'000
Brought forward at 01.01.15	401,063	36,832	(286,492)	151,403
Profit (loss) for the year	-	-	(37,863)	(37,863)
Other comprehensive income (loss) for the year	-	1,795	-	1,795
Balance at 31.12.15	401,063	38,627	(324,355)	115,335
Profit (loss) for the year	-	-	(3,787)	(3,787)
Other comprehensive income (loss) for the year	-	1,859	-	1,859
Balance at 31.12.16	401,063	40,486	(328,142)	113,407

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 28 to 46 form part of these accounts and are to be read in conjunction with them.

Balance Sheets

Bougainville Copper Limited at 31 December 2016	Notes	Consolidated 2016 K'000	Parent 2016 K'000	Parent 2015 K'000
Funds employed :				
Shareholders' funds				
Share capital	12	**401,063**	**401,063**	401,063
Fair value reserve	13	**40,486**	**40,486**	38,627
Accumulated losses		**(328,142)**	**(329,586)**	(324,355)
		113,407	**111,963**	115,335
Non-current liabilities				
Provisions	8 (b)	**129**	**129**	14,447
Other payables	8 (b)	**305**	**305**	305
Income tax	6 (b)	**6,759**	**6,759**	6,759
		7,193	**7,193**	21,511
Current liabilities				
Provisions	8 (a)	**14,759**	**14,759**	-
Trade payables	8 (a)	**774**	**774**	1,566
		15,533	**15,533**	1,566
Total funds		**136,133**	**134,689**	138,412
These funds are represented by :				
Non-current assets				
Available for sale financial assets	5	**114,477**	**113,377**	108,953
Mine assets	9	**-**	**-**	-
Plant and Equipment	10	**1,265**	**1,265**	-
Other receivables	11 b)	**826**	**1,099**	-
		116,568	**115,741**	108,953
Current assets				
Cash and cash equivalents		**19,283**	**18,666**	28,951
Other receivables	11 a)	**282**	**282**	508
		19,565	**18,948**	29,459
Total assets		**136,133**	**134,689**	138,412

Details of contingent liabilities and assets are shown in note 15. All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 28 to 46 form part of these accounts and are to be read in conjunction with them.

Statements of cash flows

Bougainville Copper Limited year ended 31 December 2016	**Consolidated**	**Parent**	Parent
	2016	**2016**	2015
	K'000	**K'000**	K'000
Cash flows from operating activities			
Payments to suppliers	**(12,751)**	**(12,751)**	(14,121)
Interest received	**146**	**146**	4,912
Receipt from IRC settlement	**-**	**-**	34,820
Dividends received	**1,342**	**1,342**	2,240
Net operating cash flows	**(11,263)**	**(11,263)**	27,851
Cash flows from investing activities			
Purchase of available for sale financial assets	-	-	(3,598)
Sale of available for sale financial assets	950	950	-
Acquistion of subsidiary, net of cash acquired	617	-	-
Net investing cash flows	**1,567**	**950**	(3,598)
Net increase/(decrease) in cash and cash equivalents			
Net cash flow	**(9,696)**	**(10,313)**	24,253
Cash and cash equivalents at beginning of year	**28,951**	**28,951**	4,668
Effect of exchange rate changes on cash and cash equivalents	**28**	**28**	30
Cash and cash equivalents at end of year	**19,283**	**18,666**	28,951

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 28 to 46 form part of these accounts and are to be read in conjunction with them.

For, and on behalf of, the board.

Robert S Burns
Chairman

Sir Rabbie L Namaliu
Director

28th February 2017

Notes to accounts

The principal accounting policies applied in the preparation of these financial statements are set out below. Accounting policies relevant to mining operations are not presented due to mining operations having ceased in 1989. These policies have been consistently applied to all years presented, unless otherwise stated.

These financial statements were authorised for issue in accordance with a directors' resolution on 21st February 2017.

1. (a) Basis of preparation

The financial statements of Bougainville Copper have been prepared in accordance with International Financial Reporting Standards (IFRS) and the PNG Companies Act 1997. The financial statements have been prepared under the historical cost convention, as modified by revaluation of available for sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Standards, amendments and interpretations to existing standards that are not yet effective have not been early adopted by the company.

1. (b) Accounting policies

Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls and entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 20)

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provided evidence of an impairment of the transferred asset. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Mine assets

Mine assets were originally stated at cost or directors valuation and subsequently depreciated and amortised at rates considered appropriate by the company.

The company ceased depreciating the mine assets from 1991 onwards. Subsequent impairment losses were recognised where the carrying value of the mine assets exceeded their recoverable amounts.

Plant and Equipment

The cost of purchased plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Plant and equipment are stated at cost. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced item is derecognised. All other repairs and maintenance are charged against income during the reporting period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.
Depreciation is charged on a straight line basis so as to write-off the cost of the property and equipment to their residual value over their expected economic useful lives. The estimated economic lives are as follows:

Leasehold improvements	3 years
Motor vehicles	2-4 years
Office furniture and equipment	2-10 years

Taxation

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in PNG Kina, which is the company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and translation at year end exchange rates of monetary assets and liabilities determined in foreign currencies are recognised in determining profit.

Provisions

Provision for compensation is recognised when the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Investments

(i) Available for sale financial assets

Investments in marketable equity securities (shares in other corporations) are classified as "available for sale financial assets". Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale; these are included in non-current assets unless management has the express intention of holding the investments for less than twelve months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of investments are recognised on the trade date, which is the date that the company commits to purchase or sell the asset. Cost of purchase includes transaction costs. Available for sale investments are subsequently carried at fair value. Changes in the fair value of available for sale investments are recognised as a separate component of equity until the investment is sold, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in determining profit. For investments that are actively traded in organised financial markets, fair value is determined by reference to the Australian Securities Exchange quoted market bid prices at the close of business on the balance sheet date.

Impairment of investments

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at cost
For loans and receivables, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current

effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(ii) Assets classified as available for sale

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss on that financial asset previously recognised in the statement of comprehensive income, is removed from equity and recognised in the statement of comprehensive income.

Impairment losses on equity instruments that were recognised in the statement of comprehensive income are not reversed through the statement of comprehensive income in a subsequent period.

If the fair value of a debt instrument classified as available for sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

Impairment testing on receivables and other assets is described below.

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with banks, and bank deposits and treasury bills with original maturities of three months or less.

Other receivables

Other receivables are recognised initially at fair value, less provision for impairment. They are presented as current assets unless collection is not expected for more than twelve months after the reporting date.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivables are impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expense. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expense in the statement of comprehensive income.

Impairment of other assets

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Revenue recognition

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

1. (c) Rounding of amounts

All amounts have been rounded off to the nearest K'000, unless otherwise stated.

1. (d) New and amended standards adopted by the company

There were no new standards applicable for the first time during the accounting period beginning 1st January 2016 that resulted in a material change in accounting policies or disclosures of the company.

1. (e) New standards and interpretations not yet adopted by the company

Certain new accounting standards and interpretations have been published that are not mandatory for the 31st December 2016 reporting period and have not been early adopted by the company:

- *IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018*). The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2017), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

- *IFRS 9, 'Financial Instruments" (effective 1 January 2018)* replaces the guidance in IAS 39 with a standard that is less complex and principles based. The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, relaxes the requirements for hedge accounting and introduces an expected credit losses model that replaces the current incurred loss impairment model.

- *IFRS 16, "Leases" (effective 1 January 2019)* replaces the guidance in IAS 17 and will have a significant impact on accounting by lessees. The previous distinction under IAS 17 between finance leases and operating leases for lessees has been removed and IFRS 16 will require a lessee to recognise a lease liability representing future lease payments and a 'right-of-use asset' for virtually all lease contracts.

There is an optional exemption for certain short-term leases and leases of low-value assets. For lessees who previously entered into operating leases, one of the main impacts will be an increase in debt on the balance sheet.

The entity has conducted initial investigations and does not consider that standards that are not yet effective will have a material impact on the entity in the current or future reporting periods and on foreseeable transactions.

1.(f) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

1.(g) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as deduction, net of tax, from the proceeds.

1.(h) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The board has been identified as being the chief operating decision maker.

2. Critical accounting estimates and assumptions

(i) Mine assets

Mine production was suspended on 15th May 1989 because of attacks on employees. Following repeated instances of damage to mine facilities and the power line and further attacks on employees, it became necessary to evacuate all remaining company personnel from Bougainville early in 1990. There continues to be uncertainty surrounding the future of the Panguna mine. Since the withdrawal of company personnel from Bougainville was completed on 24th March 1990, there has been no care and maintenance of the company's assets. Considerable deterioration of the assets has likely occurred in the intervening period, because of this lack of care and maintenance, their exposure to the elements, vandalism, pilferage and militant action. However, as access to the mine site has not been possible, the extent of the necessary write-downs was not capable of reliable measurement or estimation.

With the passage of time, it became clear that a major write-down of assets from their pre-closure levels would be required. To allow for this future write-down, the board recorded an impairment loss in 1991 for deterioration, damage and pilferage of K350 million, with this sum being classified as an extraordinary item.

During 2014, the Autonomous Bougainville Government passed the Bougainville Mining (Transitional Arrangement) Act 2014 (Transitional Act) which was replaced by the Bougainville Mining Act 2015 (The Act) on 1st April 2015. This legislation seeks to challenge the company's control of the mine assets and may reflect an expropriation of assets for the purpose of the Bougainville Copper Act. In 2014 the board impaired in full the carrying value of the mine assets. K167 million was charged against income and a reversal of K31 million in the revaluation reserve.

The Act converted the Special Mining Lease held by the company to an Exploration Licence (EL) for a period of two years from the date of the Transitional Act. In July 2016 the company applied to extend the EL. The ABG has acknowledged receipt of the renewal application and the company has satisfied renewal obligations according to the act. At year end the ABG had not been able to conclude the review.

Under the provisions of the act the EL is deemed to be renewed and extended until and unless there is an official rejection.

In July 2016 the ABG issued a notice to show cause to the company due to the transfer of shares by Rio Tinto during the initial two year period of the EL. The company responded to the show cause notice indicating the transfer was unrelated to any actions of the company. The directors believe the notice to show cause has been substantially resolved by a significant portion of ownership being taken on by the ABG as a result of the transfer of shares.

Bougainville Copper Limited, while adhering to the requirements of the Bougainville Mining Act 2015, also recognizes and maintains the tenements in accordance with the PNG National legislation and the Bougainville Copper agreement.

The directors of the company continue to take all possible steps to protect and optimise tenure in Bougainville.

3. Other Income	**Consolidated**	**Parent**	Parent
	2016	**2016**	2015
	K'000	**K'000**	K'000
Gain on Fair Value of Plant and Equipment aquired	**1,257**	**1,257**	-
Gain on Aquisition of Bougainville Copper Foundation Ltd	**1,444**	**-**	-
Net gain on disposal of available for sale financial assets	**311**	**311**	-
Total Other income	**3,012**	**1,568**	-

During the year the company acquired plant and equipment for no cash consideration, and 100 percent of the shares in Bougainville Copper Foundation Limited, both previously owned by Rio Tinto PNG Limited.

4. Operating expenses

	Consolidated 2016 K'000	Parent 2016 K'000	Parent 2015 K'000
Remuneration of directors (note 14)	**932**	**932**	906
Board meetings	**309**	**309**	64
Auditors' remuneration			
- auditing the financial statements	**165**	**165**	159
- taxation services	**45**	**45**	40
Share registry costs	**222**	**222**	212
Insurance	**251**	**251**	204
Management fees – related party (note 18)	**3,000**	**3,000**	4,196
Legal fees – IRC tax case	**-**	**-**	268
Legal Fees	**480**	**480**	396
Document Cataloguing	**945**	**945**	438
Order of magnitude costs	**104**	**104**	73
Social, technical and environmental studies	**2,284**	**2,284**	1,389
Communication and media costs	**485**	**485**	865
Compensation	**118**	**118**	240
Corporate subscriptions	**173**	**173**	148
Goods and services tax	**336**	**336**	470
Administrative Costs	**751**	**751**	-
Contribution to a related party (note 18)	**-**	**-**	1,000
Other operating expenses	**922**	**922**	214
	11,522	**11,522**	11,282

5. Available for sale financial assets	**Consolidated**	**Parent**	Parent
At fair value	**2016**	**2016**	2015
	K'000	**K'000**	K'000
Opening balance	**108,953**	**108,953**	102,021
Movement in fair value reserve	**1,859**	**1,859**	1,795
Disposal of available for sale assets	**(640)**	**(640)**	-
Additions to available for sale financial assets	**3,205**	**3,205**	5,137
Acquisition of subsidiary	**1,100**	**-**	-
Closing balance	**114,477**	**113,377**	108,953
Original cost when purchased			
Opening cost balance	**70,326**	**70,326**	65,189
Disposal of available for sale assets	**(640)**	**(640)**	-
Additions to available for sale financial assets	**3,205**	**3,205**	5,137
Acquisition of subsidiary	**1,100**	**-**	
	73,991	**72,891**	70,326
Fair value reserve year end balance	**40,486**	**40,486**	38,627
Closing fair value balance	**114,477**	**113,377**	108,953

Available for sale financial assets held by the company consist of ASX listed shares, and therefore have no fixed maturity date or coupon rate.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are categorised as level 1 within the fair value hierarchy. The company has not recognised any financial assets categorised within level 2 or level 3 fair value hierarchy.

The available for sale investment held by the subsidiary represents an investment in unlisted units held in the Pacific Balanced Fund.

The financial statements of the Pacific Balanced Fund or similar data for the 2016 financial year were not readily available to allow for the management to determine the fair valuation at balance date. The units are not traded. The carrying amount as disclosed above was determined based on an historic buy-back price of K2.75 per unit.

6. Taxation	Consolidated 2016 K'000	Parent 2016 K'000	Parent 2015 K'000
(a) The following reconciliation discloses the items which caused the charge for income tax in the income statement to vary from the income tax prima facie payable on reported earnings:			
Operating profit/(loss) before taxation	**(3,787)**	**(5,231)**	**(6,445)**
Prima facie income tax @ 30 per cent	**(1,136)**	**(1,569)**	**(1,934)**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	**(433)**	**-**	**-**
Potential tax benefit not recognised	**1,569**	**1,569**	**1,934**
Tax expense on IRC mediated settlement	**-**	**-**	**27,013**
De-recognised withholding tax credits	**-**	**-**	**4,405**
Income tax expense/(credit)	**-**	**-**	**31,418**

(b) An agreement between the Independent State of Papua New Guinea and Rio Tinto provides for the deferral of income tax payable of K6,759,000 in respect of the 1989 year until certain criteria have been met following successful recommencement of operations.

(c)The future income tax benefit relating to tax losses has not been brought to account because their realisation is not probable.

Available tax losses carried forward amount to K48,009,280 (2015: K46,473,684).

7. Exchange fluctuation	Consolidated	Parent	Parent
	2016	**2016**	2015
	K'000	**K'000**	K'000
(a) The exchange gain/(loss) reflected in earnings arising from financial assets:	**28**	**28**	30
Gain/(loss)	**28**	**28**	30

(b) Foreign currency amounts included in current assets, non-current assets, current liabilities and non-current liabilities that are not effectively hedged are:

Current assets	**72**	**72**	87
Non-current assets	**113,377**	**113,377**	108,953
Current liabilities	**565**	**565**	42

Kina equivalent of Australian dollars

8. Liabilities	Consolidated	Parent	Parent
	2016	**2016**	2015
	K'000	**K'000**	K'000
Trade Payables			
(a) Current			
Trade creditors	**774**	**774**	251
Related corporations (note 18)	**-**	**-**	1,315
	774	**774**	1,566
(b) Non current			
Other payables	**305**	**305**	305
Provisions (excluding impairment)			
a) Current			
Compensation *	**14,577**	**14,577**	-
Employee Entitlements	**182**	**182**	-
	14,759	**14,759**	-
b) Non Current			
Compensation *	**-**	**-**	14,447
Employee Entitlements	**19**	**19**	-
Make good provision - premises lease	**110**	**110**	-
	129	**129**	14,447

c) Movements in provisions	Compensation	Employee entitlements	Make good provision premises lease
	K'000	**K'000**	**K'000**
Opening balance	**14,447**	**-**	**-**
Provisions recognised during the year	**130**	**201**	**110**
Amounts used during year	**-**	**-**	**-**
Closing balance	**14,577**	**201**	**110**

* The company has provided for March 1990 to March 1991 compensation to landowner groups affected by the company's former mine operations, based on known obligations. The company has classified the provision as current as it commenced, and expects to finalise, the payment program in the 2017 year.

9. Mine assets

The company has previously capitalised mine assets of:

	K'000
Mine development and building	395,153
Plant machinery and equipment	549,663
Mine Property	62,121
Capitalised work in progress	29,112
Total	1,036,049

Mine assets were fully depreciated or impaired in previous financial years.

During 2014, the Autonomous Bougainville Government passed the Bougainville Mining (Transitional Arrangement) Act 2014 (Transitional Act) which was replaced by the Bougainville Mining Act 2015 (The Act) on 1st April 2015. This legislation seeks to challenge the company's control of the mine assets and may reflect an expropriation of assets for the purpose of the Bougainville Copper Act.

The Act converted the Special Mining Lease held by the company to an Exploration Licence (EL) for a period of two years from the date of the Transitional Act. In July 2016 the company applied to extend the EL. The ABG has acknowledged receipt of the renewal application and the company has satisfied renewal obligations according to the act. At year end the ABG had not been able to conclude the review.

Under the provisions of the act the EL is deemed to be renewed and extended until and unless there is an official rejection.

In July 2016 the ABG issued a notice to show cause to the company due to the transfer of shares by Rio Tinto during the initial two year period of the EL. The company responded to the show cause notice indicating the transfer was unrelated to any actions of the company. The directors believe the notice to show cause has been substantially resolved by a significant portion of ownership being taken on by the ABG as a result of the transfer of shares.

Bougainville Copper Limited, while adhering to the requirements of the Bougainville Mining Act 2015, also recognises and maintains the tenements in accordance with the PNG National legislation and the Bougainville Copper agreement.

The directors of the company continue to take all possible steps to protect and optimise tenure in Bougainville.

10. Plant and Equipment

Consolidated and Parent	Leasehold assets	Motor Vehicles	Office furniture and equipment	Total
	K'000	K'000	K'000	K'000
At 31 December 2015				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Year ended 31 December 2016				
Opening net book amount	-	-	-	-
Additions	800	190	377	1,367
Depreciation charge	(67)	(16)	(19)	(102)
Closing net book value	**733**	**174**	**358**	**1,265**
At 31 December 2016				
Cost	800	190	377	1,367
Accumulated depreciation	(67)	(16)	(19)	(102)
Net book value	**733**	**174**	**358**	**1,265**

11. Other receivables	Consolidated 2016 K'000	Parent 2016 K'000	Parent 2015 K'000
a) Current			
Sundry receivables	**2**	**2**	2
Interest receivable		-	13
Prepayments	**280**	**280**	-
Withholding tax receivable	-	-	493
	282	**282**	508
b) Non Current			
Withholding tax receivable	**826**	**508**	-
Related party receiveables (Note 18)	-	**591**	-
	826	**1,099**	-

Withholding tax receivable has been reclassified from current to non current as it will be offset against future tax payable.

12. Ordinary shares

The issued capital of the company is 401,062,500 ordinary shares fully paid. No change in issued capital occurred during 2016.

13. Fair value reserve	Consolidated 2016 K'000	Parent 2016 K'000	Parent 2015 K'000
Fair value reserve	**40,486**	**40,486**	**38,627**

This reserve records movements for available for sale financial assets to fair value.
Refer note 1 (b) and note 19(g) for calculations for 'fair value'.

Opening balance	**38,627**	**38,627**	36,832
Movement	**2,170**	**2,170**	1,795
Fair value realised through disposal	**(311)**	**(311)**	-
Net movement	**1,859**	**1,859**	1,859
Closing balance	**40,486**	**40,486**	38,627

14. Remuneration of directors

Directors' remuneration, including the value of benefits, received during the year is as follows:-

	Consolidated 2016 K'000	Parent 2016 K'000	Parent 2015 K'000
Robert S Burns*	**218**	**218**	135
Sir Rabbie L Namaliu**	**151**	**151**	135
Dame Carol A Kidu**	**151**	**151**	135
Sir Moi Avei***	**48**	**48**	-
Peter R Taylor****	**364**	**364**	501
	932	**932**	906

*Robert S Burns was appointed chairman 1st July 2016. Short term benefits paid as a director comprise of a base fee for six months of K65,000, as Chairman K130,000 and audit and risk committee fee of K23,000. No other long term benefits, post-employment benefits, termination benefits or share based payments are payable to the directors.

**Short term benefits paid to the directors comprise of a base fee of K128,000 and audit and risk committee fee of K23,000. No other long term benefits, post-employment benefits, termination benefits or share based payments are payable to the directors.

***Sir Moi Avei was appointed a director 12th September 2016. Short term benefits as a director comprise of a base fee of K40,000 and audit and risk committee fee of K8,000. No other long term benefits, post-employment benefits, termination benefits or share based payments are payable to the directors.

** Peter R Taylor was the managing director and was employed by the Rio Tinto Group which paid his salary and entitlements. A portion of the benefits were re-charged under the Management Services Agreement. The amount indicated in the above table is the proportion of remuneration benefits which have been re-charged to the company until the date of his resignation as director on 30th June 2016.

15. Contingent liabilities and assets

Bougainville Copper was defendant to an action commenced in the National Court by two plaintiffs seeking declarations that they are the lawful representatives of the mine site and the tailings disposal area landowners and that the Mining Warden is the proper judicial officer to determine what, if any, compensation is due to landowners for the period since the suspension of mining operations. A deed of release was executed by the two plaintiffs agreeing to the payment of statutory compensation for the 1990 year of operation including interest. The company has made a provision in its accounts to cover the landowner compensation. The proceedings in the National Court were concluded when a Notice of Discontinuance was filed and endorsed in the Buka National Court on 9th June 2016 and served on each plaintiff. Compensation payments commenced in February 2017.

16. Mining tenements

Under the Mining Act of the Independent State of Papua New Guinea, the company holds 100 per cent interest in leases: SML1, LMP B9, B6, B8, B7, B2, B10, B3; and prospecting authorities: Exploration Licenses 1, 2, 3, 4, 5, 6, 7A and 7B on Bougainville Island.

During 2014, the Autonomous Bougainville Government passed the Bougainville Mining (Transitional Arrangement) Act 2014 (Transitional Act) which was replaced by the Bougainville Mining Act 2015 (The Act) on 1st April 2015. This legislation seeks to challenge the company's control of the mine assets and may reflect an expropriation of assets for the purpose of the Bougainville Copper Act.

The Act converted the Special Mining Lease held by the company to an Exploration Licence (EL) for a period of two years from the date of the Transitional Act. In July 2016 the company applied to extend the EL. The ABG has acknowledged receipt of the renewal application and the company has satisfied renewal obligations according to the act. At year end the ABG had not been able to conclude the review.

Under the provisions of the act the EL is deemed to be renewed and extended until and unless there is an official rejection.

In July 2016 the ABG issued a notice to show cause to the company due to the transfer of shares by Rio Tinto during the initial two year period of the EL. The company responded to the show cause notice indicating the transfer was unrelated to any actions of the company. The directors believe the notice to show cause has been substantially resolved by a significant portion of ownership being taken on by the ABG as a result of the transfer of shares.

Bougainville Copper Limited, while adhering to the requirements of the Bougainville Mining Act 2015, also recognises and maintains the tenements in accordance with the PNG National legislation and the Bougainville Copper agreement.

The directors of the company continue to take all possible steps to protect and optimise tenure in Bougainville.

17. Segmental information

The company carried on investment activities during the year. Its assets are cash and equities listed on the Australian Securities Exchange.

18. Related party transactions

Transactions with directors are disclosed in note 14.

Rio Tinto Limited (incorporated in Australia), owned 53.8% (2015: 53.8%) of the issued ordinary shares of Bougainville Copper Limited until 30th June 2016 when they transferred the shares to an independent trustee for no consideration. Pursuant to the trust deed the Independent State of Papua New Guinea (PNG) took up their entitlement to 17.4% of the shares. The Autonomous Bougainville Government (ABG) took up the remaining 36.4% of the shares. PNG and the ABG each hold equal shares of 36.4% in the company at the 31st December 2016.

In 2016 the company paid fees of K2,999,619 (2015: K4,196,032) for the provision of office space, staff and related services to Rio Tinto PNG Limited and in 2015 K6,115 was paid to Rio Tinto Technology for technical studies.

In 2015 the company made a K1, 000, 000 contribution to Bougainville Copper Foundation Limited to be used for the provision of future education scholarships.

The following amounts remained outstanding and payable at the balance date:

	Consolidated	**Parent**	Parent
	2016	**2016**	2015
	K'000	**K'000**	K'000
Rio Tinto PNG Limited	**-**	**-**	1,315
Bougainille Copper Foundation	**-**	(591)	-

With the exception of the above the company did not enter into any other transactions with related parties.

19. Financial instruments

The company's financial instruments include cash and cash equivalents, equity investments, receivables and accounts payable.

The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, price and interest rate risks in respect of investment portfolios to determine market risk. The company holds the following financial assets and liabilities:

	Consolidated	**Parent**	Parent
	2016	**2016**	2015
	K'000	**K'000**	K'000
Cash and cash equivalents	**19,283**	**18,666**	28,951
Other receivables	**1,108**	**1,381**	508
Available for sale financial assets	**114,477**	**113,377**	108,953
Trade payables	**(774)**	**(774)**	(1,566)
Other payables and Income Tax	**(7,064)**	**(7,064)**	(7,064)

(a) Financial risk management

Bougainville Copper's activities expose it to a variety of financial risks, including the effects of changes in market prices, foreign currency exchange rates and interest rates. The company monitors these financial risks and seeks to minimize the potential adverse effects on the financial performance of the company. The company does not use any derivative financial instruments to hedge these exposures.

(b) Foreign exchange risk

Bougainville Copper undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currencies arise. It is not the company's policy to hedge these foreign currency risks. Details of exchange fluctuations and foreign currency amounts are shown in note 7.

With all other variables held constant, Bougainville Copper's exposure to this risk is measured by sensitivity analysis, as follows:

	Consolidated	Parent
Available for sale financial assets	**K'000**	**K'000**
Carrying amount at the balance date	113,377	113,377
Change in carrying amount of 'available for sale financial assets' and fair value reserve:		
Had PNG Kina weakened by 10 per cent against the Australian dollar:		
Increase in carrying amount and fair value reserve by:	12,597	12,597
Had PNG Kina appreciated by 10 per cent against the Australian dollar:		
Decrease in carrying amount and fair value reserve by:	10,307	10,307

(c) Price risk

A large amount of the company's assets are held in shares of "Listed Investment Companies" (see note 3) listed on the Australian Securities Exchange. The value of these shares is subject to market conditions and the fluctuation in AUD / PGK exchange rate.

With all other variables held constant, Bougainville Copper's exposure to this risk is measured by sensitivity analysis, as follows:

	Consolidated	Parent
Available for sale financial assets	**K'000**	**K'000**
Carrying amount at the balance date	113,377	113,377
Change in carrying amount of 'available for sale financial assets' and fair value reserve:		
Had the share price increased by 10 per cent:		
Increased in carrying amount and fair value reserve by:	11,338	11,338
Had the share price decreased by 10 per cent:		
Decrease in carrying amount and fair value reserve by:	11,338	11,338

(d) Interest rate risk

Bougainville Copper no longer holds 'held to maturity financial assets' at variable rates, which would expose the company to cash flow interest rate risk.

(e) Credit risk

Bougainville Copper has no significant concentrations of net credit risk. The company manages the credit risk of cash and cash equivalents held with banks and financial institutions by maintaining deposits with more than one bank or financial institutions. The minimum credit rating for the banks or financial institutions is B+.

(f) Liquidity risk

Bougainville Copper aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities. The company currently has no available credit facilities.

(g) Fair value estimation

Bougainville Copper is not in a position to determine the fair values of its previous mining operations receivables and payables due to the significant uncertainties arising from the suspension of mining operations. The face value of bank balances and short term liquid investments are assumed to approximate their fair values. Equity investments are carried at their fair value, being market price.

(h) Capital risk management

Bougainville Copper's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

20. Business combination

a) Summary of acquisition

On 24th November 2016 the parent entity acquired 100% of the issued share capital of Bougainville Copper Foundation Limited.

Details of the purchase consideration, the net assets acquired and the discount on acquisition are as follows:

The total purchase consideration was cash paid of K5.

The assets and liabilities recognised as a result of the acquisition are as follows:

	K'000
Cash	617
Sundry receivables	318
Available or sale investments	1,100*
Payables to related party	(595)
Net identifiable assets acquired	1,444

A discount on acquisition of K1,444,000 has been recognised at the date of acquisition.

There were no acquisitions in the 2015 financial year.

* The available for sale investment held by the subsidiary represents an investment in unlisted units held in the Pacific Balanced Fund.

The financial statements of the Pacific Balanced Fund or similar data for the 2016 financial year were not readily available to allow for the management to determine the fair valuation at balance date. The units are not traded. The carrying amount as disclosed above was determined based on an historic buy-back price of K2.75 per unit.

b) Revenue and profit contribution

The acquired business contributed no revenues or net profit or loss to the group for the period 24th November 2016 to 31st December 2016.

If the acquisition occurred on the 1st January 2016, consolidated proforma revenue would have been K7,979,000 and the loss for the year would have been K4,379,000. These amounts have been calculated using the subsidiary's results adjusting them for differences in the accounting policies between the group and the subsidiary.

c) Purchase consideration – cash flow

	Kina
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	5
Less cash acquired	617,000
Net cash inflow – investing activities	616,995

Directors' Declaration

Directors' declaration Bougainville Copper Limited

In the directors' opinion

(a) the financial statements and notes set out on pages 24 to 46 are in accordance with the *PNG Companies Act 1997,* including:
   (i) complying with Accounting Standards, the Companies Act 1997 and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the company's financial position as at 31st December 2016 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Director: Robert S Burns

Director: Rabbie L Namaliu

Director: Carol A Kidu

Director: Sir Mol Avei

Signed on 28th February 2017.

Independent auditor's report

To the shareholders of Bougainville Copper Limited

Report on the audit of the financial statements of the Company and Group

Our qualified opinion

We have audited the financial statements of Bougainville Copper Limited (the Company), which comprise the balance sheets as at 31 December 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2016 or from time to time during the financial year.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial statements:

1. comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and

2. give a true and fair view of the financial position of the Company and the Group as at 31 December 2016, and their financial performance and cash flows for the year then ended.

Basis for qualified opinion

Qualification

On 24 November 2016, the Company acquired a subsidiary which holds an investment in an unlisted investment fund. The investment is classified as an available-for sale asset at a fair value of K1.1 million.

A K1.4 million discount on acquisition was recognised in the Statement of Comprehensive Income of the Group on the date of acquisition. The fair value of the available-for-sale asset forms part of the calculation of the discount on acquisition.

Management has not been provided with the 2016 audited financial statements of the investee and the investee is unable to confirm the number and value of units held by the various investors.

Accordingly, we have been unable to determine whether the fair value of the investment of K1.1 million is fairly stated.

As a result we have been unable to satisfy ourselves as to the accuracy of the K1.4 million discount on acquisition and the valuation of the available-for-sale asset recognised by the Group at 31 December 2016.

Our audit

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

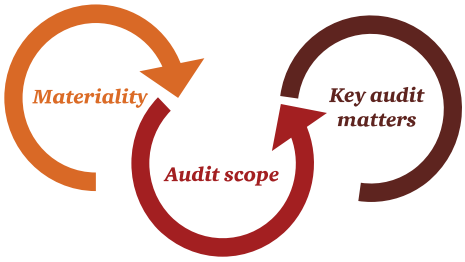
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out services for the Company and its subsidiaries in the area of tax advice. These services have not impaired our independence as auditor of the Company and the Group.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Company and the Group, their accounting processes and controls and the industries in which they operate.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit of the Group we used overall group materiality of K1,134,070 which represents 1% of the Group's net assets. • We chose Group net assets as, in our view, it is the metric against which the performance of the Group is most commonly measured and is a generally accepted benchmark • We selected 1% based on our professional judgement noting that it is also within the range of commonly acceptable related thresholds • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole	• We (PwC Papua New Guinea) conducted audit work over all the subsidiaries which comprise the Group consolidation • All subsidiaries of the Group are incorporated and operating in Papua New Guinea and audited by PwC Papua New Guinea • Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events	• Amongst other relevant topics, we communicated the matter referred to in the *Basis for qualified opinion* section and the following key audit matter to the Audit and Risk Committee: - Accounting for / disclosure of impact of the implementation of the Bougainville Mining Act 2015 • This matter is further described in the *Key audit matters* section of our report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current period. The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matter described below to be a key matter to be communicated in our report. Further, commentary on the outcomes of the particular audit procedures is made in that context.

Key audit matter	How our audit addressed the key matter
Accounting for / disclosure of impact of the implementation of the Bougainville Mining Act 2015 *(Refer to notes 2 (i), 9 and 16 of the financial statements)* Legislation passed in 2014 and 2015 by the Autonomous Bougainville Government has challenged the Company's control of the Panguna mine assets. In addition the Company has applied to renew its exploration licence but awaits a response to its application from the appropriate regulatory body which brings with it uncertainty around the future of exploration and mining operations at the Panguna mine and surroundings.	Our consideration and testing of the uncertainty of future exploration and mining operations has included: - Confirming the mine assets remain fully depreciated or impaired, consistent with the accounting treatment in prior financial year. - Reviewing correspondence and information the Company has issued and received in relation to assessment of the impact of the relevant legislation, and compliance with the relevant legislation. - Reviewing the Directors' assessment of the impact of the relevant legislative requirements and ongoing implications. - Reviewed the adequacy of financial statement disclosures in relation to the matter. We have concluded there are sufficient disclosures in notes 2 (i), 9 and 16.

Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible, on behalf of the Company, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or any of its subsidiaries, or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2016:

- With the exception of the matter described in the *Basis for qualified opinion* section, we have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Christopher Hansor
Partner

Registered under the Accountants Act 1996

Port Moresby
28 February 2017

Corporate information

Bougainville Copper Limited
(Incorporated in Papua New Guinea)

Registered office:
5th Floor, BSP Haus,
Harbour City,
Port Moresby, Papua New Guinea
Telephone: + (675) 3092800
Facsimile: + (675) 3092898
Website: www.bcl.com.pg

Principal registered office in Australia:
Bougainville Copper Limited
A.R.B.N. 007 497 869
Level 11, 307 Queen Street, Brisbane, QLD 4001
Telephone: + (617) 3218 3900
Facsimile: + (617) 3218 3901

Share register:
Computershare Registry Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067 Australia.

Telephone: 1300 805 0505 (in Australia)
+ (613) 9415 4000 (outside Australia)
Facsimile: + (613) 9743 2500
Postal Address: GPO Box 2975 EE
Melbourne, VIC 3001
E-mail: web.queries@computershare.com.au Website: www.computershare.com

Stock exchanges:
Listed with the Australian Securities Exchange Limited

Auditors:
PricewaterhouseCoopers
P O Box 484
Port Moresby, Papua New Guinea

Bankers:
Commonwealth Bank of Australia
Bank South Pacific

Solicitors:
Dentons

Twenty largest shareholders

The twenty largest shareholders as at 28th February 2017 and the number of shares held by each were:

	Name and Registered Address	Shares	% of Issued Shares
1	BOUGAINVILLE MINERALS LTD BOUGAINVILLE, PNG	146,175,449	36.45
2	THE INDEPENDENT STATE OF PAPUA NEW GUINEA WAIGANI, PNG	76,430,809	19.06
3	EDA MINERALS LIMITED PORT MORESBY, PNG	69,744,640	17.39
4	J P MORGAN NOMINEES AUSTRALIA LIMITED MELBOURNE, VIC	57,926,968	14.44
5	CITICORP NOMINEES PTY LIMITED MELBOURNE, VIC	6,240,449	1.56
6	NATIONAL NOMINEES LIMITED MELBOURNE, VIC	5,231,710	1.30
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED SYDNEY, NSW	2,998,244	0.75
8	KLAUS KUETTNER BERLIN, GERMANY	1,151,799	0.29
9	MRS JABINDERJIT KAUR PIARA SINGH KUALA LUMPUR, MALAYSIA	900,000	0.22
10	BNP PARIBAS NOMS PTY LTD <DRP> ROYAL EXCHANGE, NSW	748,187	0.19
11	FRANCISROSE PTY LTD <RASTYS SUPER FUND A/C> SHELL COVE, NSW	600,000	0.15
12	NATIONAL NOMINEES LIMITED <DB A/C> MELBOURNE, VIC	593,403	0.15
13	EVEREST ASTROLOGY PTY LTD <EVELYNS S/F A/C> HUONBROOK, NSW	566,668	0.14
14	ANLYN'S INVESTMENTS PTY LTD <ANLYNS SUPER FUND A/C> BULLI, NSW	566,666	0.14
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <EUROCLEAR BANK SA NV A/C> SYDNEY, NSW	500,751	0.12
16	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C> SYDNEY, NSW	469,327	0.12
17	THE NOBLE HOPE FOR CONSTRUCTION PTY LIMITED <SUPERANNUATION FUND CONDELL PARK, NSW	450,000	0.11
18	MR GARRY RAYMOND CHURCHILL <MINTEK CHURCHILL S/F A/C> CLIFTON BEACH, QLD	448,000	0.11
19	BELMARK INVESTMENTS PTY LTD GLENSIDE, SA	400,000	0.10
20	DEEP VALLEY PTY LIMITED <ISTRIA FAMILY A/C> SAMFORD, QLD	380,336	0.09
		372,523,406	**92.88**

Distribution of shares

As at 28th February 2017: The issued shares of the company were 401,062,500 fully paid shares, each carrying one voting right. The number of shareholders was 15,004.

The distribution of holdings of the issued shares was

	Number	%
1 - 1,000 shares	12,632	0.62
1,001 - 5,000 shares	1,595	0.95
5,001 - 10,000 shares	367	0.74
10,001 shares and over	410	97.69
Total shareholders	**15,004**	**100**

There were 13,745 holdings of shares (91.61 per cent) which do not form a marketable parcel.

92.86 per cent of the total issued shares were held by or on behalf of the twenty largest shareholders.

The substantial shareholders were:

The Independent state of Papua New Guinea with 76,430,809 shares held in their own name and 69,744,640 held by Eda Minerals Limited, 36.4%. The Autonomous Bougainville Government holds 146,175,449 shares through Bougainville Minerals Ltd, 36.4%.

Applicable jurisdiction

The company is incorporated in Papua New Guinea and is not generally subject to Australian Corporations Law including, in particular, Chapter 6 of the Australian Corporation Law dealing with the acquisition of shares (including substantial shareholdings and take-overs), but is instead subject to the provisions of the Papua New Guinea Companies Act 1997 and Securities Act 1998.

Distribution of the Benefits

Bougainville Copper Limited year ended 31 December 2016	**2016**	**K million 1972-2015**
PNG Government		
Corporate income tax *	-	541.2
Additional profits tax *	-	72.6
Group tax (PAYE)	-	122.2
Customs duty	-	104.1
Miscellaneous	-	14.5
Dividends *	-	167.4
Dividend WHT *	-	97.6
	-	1,119.60
North Solomons Provincial Government		
Royalties (95% to NSPG)	-	61.4
Non Renewable Resources Fund	-	1.8
Other taxes	-	12
	-	75.2
Landowners		
Royalties (5% to Landowners)	-	3.2
Compensation	-	35
	-	38.2
Non-Government Shareholders		
Dividends net of Dividend WHT *	-	582.1
Employees		
Wages (less PAYE)	-	575.6
Total	-	2,390.7

Not included in the above table are the benefits received by the providers of goods and services to Bougainville Copper Limited. A company survey in 1989 revealed that there were approximately 200 Bougainville based business enterprises dependent largely upon Bougainville Copper Limited's operation. These enterprises employed in excess of 4,000 people prior to the suspension of mining operations.

*****These amounts relate to the referable year (i.e. the year in which the amount became due) and hence the cash effect on the PNG economy has a delayed impact.