



BOUGAINVILLE
COPPER LIMITED

Notice to ASX

28 March 2018

2017 Annual Report

Attached is the 2017 Annual Report which contains the full financial statements for 2017. Also attached is the annual appendix 4G statement - Key to Disclosures Corporate Governance Council Principles and Recommendations.

The Annual General meeting of Bougainville Copper Limited will be held at the Grand Papua Hotel in Port Moresby Papua New Guinea on the Thursday 24th May, 2018 at 11.00 am.

By Order of the Board

Mark Hitchcock
Company Secretary

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

A.R.B.N. 007 497 869

Annual Report

2017



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 K1.1 billion 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.

The Autonomous Bougainville Government (ABG) passed the Bougainville Mining Act 2015. This legislation challenges Bougainville Copper's previously established control of the mine assets and may amount to expropriation against the purposes of the National Government's Bougainville Copper Agreement Act (1967). Under the Bougainville Mining Act, the Special Mining Lease (SML) and Lease(s) for Mine Purposes, held by Bougainville Copper, were replaced by a two-year Exploration Licence (EL1) over the area of the SML. The Company applied for an extension of EL1 which the ABG refused in early 2018. Bougainville Copper has applied for a Judicial Review of the renewal process in the PNG National Court.

From 2016 the ABG and PNG Government both hold equal shares in Bougainville Copper of 36.4% with the remaining 27.2% held by public and institutional investors. Bougainville Copper 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 11am on Thursday, 24th May 2018 at the Grand Papua Hotel, Mary Street, Port Moresby, Papua New Guinea. A Notice of Meeting is enclosed. All shareholders are cordially invited to attend.

Directors

Melchior Pesa Togolo (chairman)
Sir Rabbie Langanai Namaliu
Dame Carol Anne Kidu
Sir Moi Avei
Peter Maxwell Graham
Robert Staley Burns (retired 21st February 2018)

Secretary

Mark Wallace Hitchcock

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The year in brief

After gaining the support of the Autonomous Bougainville Government (ABG) for the staged redevelopment of Panguna in early 2017, Bougainville Copper Limited is now seeking a Judicial Review of a decision by the regulator to refuse the extension of its Exploration Licence (EL1) over the project area.

The following is a timeline of events during 2017 and more recently of relevance to your Company.

- **In February 2017**, Bougainville Copper secured the support of the Autonomous Bougainville Government (ABG) to implement a four-staged redevelopment plan.
- **In May 2017**, PNG Prime Minister Peter O’Neill and ABG President John Momis (representing the equal largest shareholders) agreed to work together on Panguna development through the establishment of a Joint Steering Committee (JSC).
- **In late May and early June 2017**, ABG community forums held at Panguna and Arawa identified clear majority support for the project and Bougainville Copper.
- **On 16th June 2017**, a road block prevented ABG officials and representatives of the project area’s nine landowner associations from signing a project Memorandum of Agreement (MoA) in Panguna.
- **Subsequent court proceedings**, including a mediation process, relating to Special Mining Lease Osikaiyang Landowners Association (SMLOLA) leadership dispute, prevented any future signing of the MoA.
- **On 3rd August 2017**, Bougainville Copper held its first board meeting in Bougainville in more than 27 years.
- **On 11th December 2017**, a Mining Warden’s Hearing was held at Panguna, the first step of a formal process instigated by the ABG to review Bougainville Copper’s application for renewal of Exploration Licence (EL1).
- **On 16th January 2018**, the Company was formally notified of refusal to grant extension of Exploration Licence (EL1).
- **On 25th January 2018**, Bougainville Copper commenced legal action in the PNG National Courts seeking leave to apply for a Judicial Review of the process leading to the refusal to grant the extension of EL1 .

EL1 TENURE

On 16th January 2018, Bougainville Copper received a formal notice of refusal from the Autonomous Bougainville Government (ABG) Mining Registrar to grant extension of the terms of Exploration Licence (EL1) covering the Panguna mine. This followed the Warden’s Hearing on 11th December 2017. The Company’s renewal application had been submitted on 5th July 2016 and confirmation was received on 10th January 2017 from the ABG that the application satisfied licence renewal obligations under the Bougainville Mining Act 2015.

- **Moratorium**
On 6th February 2018, the ABG also announced a decision to impose a mining and exploration reservation or moratorium over the Panguna mine area for an indefinite period. Public submissions were invited until 26th March 2018 and Bougainville Copper has made a submission.

- **Disruption**

Bougainville Copper believes it retains the strong majority consent among customary landowners for the extension of EL1, which was expressed in a written submission from customary agent block holders to the Mining Warden. During 2017 the Company has been disrupted by parties with competing interests in Panguna mineral rights and through the unresolved SMLOLA leadership and associated disunity. On 20th October 2017, Bougainville Copper addressed some of these issues in a shareholder release.

- **Legal action**

On 25th January 2018, Bougainville Copper commenced legal proceedings in the PNG National Court to seek a Judicial Review of the ABG's decision to refuse an extension of EL1, as well as an interim stay and injunction. Bougainville Copper believes the decision was legally and procedurally flawed. The matter has been adjourned to 5th April 2018 and the interim orders restrain the ABG from giving effect to, or relying on, the decision to refuse the EL1 extension. Until the matter is determined, Bougainville Copper still holds rights over EL1.

Bougainville Copper has also commenced proceedings in the Supreme Court of Victoria, Australia, seeking discovery of documents from RTG Mining Inc. and Central Exploration Pty Ltd relating to its relationship with SMLOLA.

THE BOARD

Bougainville Copper marked its full-time return to Bougainville by holding its first board meeting there in more than 27 years, at Buka, on 3rd August 2017.

On 20th October 2017, Melchior Togolo CBE and Peter Graham CBE were appointed to the Board of Directors. The following month Chairman Robert Burns advised of his decision to stand down and Mr Togolo accepted the board's nomination to replace Mr Burns at the board meeting of 21st February 2018 and serve as Chairman and Managing Director.

BOUGAINVILLE RESOURCES

Bougainville Copper significantly increased its resources within Bougainville during the year as it intensified stakeholder engagement and community awareness efforts. The Company appointed a Bougainville manager to lead the local engagement effort and opened an office in Buka in June 2017. The Company has project officers based in Central Bougainville at Arawa and Panguna and has also established a network of Village Liaison Officers across Panguna communities.

COMMUNITY ENGAGEMENT

During 2017, the Company was pro-active in supporting a range of community initiatives in Central Bougainville. The community engagement team for example attended and provided sponsorship for the 2017 Bougainville Chocolate Festival and the National Boxing Championship which were held in Arawa in September.

17.4% SHAREHOLDING

The Independent State of PNG and the ABG each remain the Company's equal largest shareholders with 36.4% of the shares. The PNG Prime Minister has previously announced that he proposed to gift 17.4% of the PNG shareholding to the people of Bougainville. The status of this shareholding remains unresolved.

1990/91 LANDOWNER COMPENSATION

A comprehensive process was put in place for the payment of agreed statutory landowner compensation for the period March 1990 to March 1991. This involved payment of K14.6 million to 2,123 landowners. It is pleasing to confirm that after payments commenced in February 2017, more than 96% have now been made.

Summary of Results

		Consolidated		Parent	
		2017	2016	2017	2016
Investment and Other income	(K'000)	7,533	7,735	7,533	6,291
Operating loss after tax	(K'000)	(7,301)	(3,787)	(6,505)	(5,231)
Earnings per share	(toea)	(1.8)	(0.9)	(1.6)	(1.3)
Shareholders' funds	(K'000)	125,785	113,407	125,136	111,963
Return on shareholders' funds	(per cent)	(5.8)	(3.3)	(5.2)	(4.7)

Chairman's statement and our year in review

OVERVIEW

Entering 2017 there was expectation that the vision of returning to active exploration and profitable, sustainable mining at Panguna could be materially advanced. This optimism was strengthened with the endorsement of Bougainville Copper's staged development plan by the ABG and the nine landowner associations in February.

There was also anticipation that your Company's application for the extension of its exploration licence (EL1) would be successful. To build further support, Bougainville Copper intensified its community engagement activities. The Company opened an office at Buka in June and in August the board met in Bougainville for the first time in more than 27 years.

At the same time, other parties with competing interests in Panguna mineral rights were proving disruptive. This was exacerbated by an unresolved leadership dispute within one of the nine landowner associations which remains before the courts.

The associated social disharmony – at a time when Bougainville is planning for an independence referendum – was reportedly a major factor influencing the ABG's recent decision to refuse an extension of EL1 and to impose an indefinite exploration and mining moratorium over Panguna. As detailed in The Year in Brief, your Company believes it has a strong case for a Judicial Review of the ABG's decision, and this matter is currently the subject of a court action instigated by Bougainville Copper. The Company believes that we retain strong majority support among customary landowners, who are also disappointed with the decision.

RESULTS

During 2017 Company expenditure was concentrated on issues around tenure and intensified stakeholder engagement activities in Bougainville. These included the ongoing payment of the 1990/91 statutory landowner compensation payments.

The Bougainville Copper Foundation Limited (BCF) is a fully owned subsidiary of Bougainville Copper Limited with its balance sheet consolidated as at 31 December 2017.

Bougainville Copper recorded a consolidated operating loss of K7.3 million for the year ending 31 December 2017 compared to a 2017 budgeted loss of K15.2 million and K3.8 million actual loss in 2016. Consolidated income for 2017 was K7.5 million which included K5.2 million in interest and dividends and realised gains on the sale of investments of K2.4 million.

Bougainville Copper will not pay a dividend. The Company has total consolidated assets of K136.6 million with sufficient funds to cover recurrent expenditure under the current plan and the Company remains debt free.

GOVERNANCE AND RISK MANAGEMENT

Bougainville Copper 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 has developed and complies with a comprehensive set of charters and policies. These can be found on the Bougainville Copper web site.

The Company also formed a Remuneration and Nominations Committee on 15th November 2017.

Bougainville Copper places uncompromising emphasis on hazard identification, risk assessment and risk management. Company management undertakes regular risk assessments to identify both significant 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

Bougainville Copper believes that a safe and healthy workforce is essential to the Company's success and sustainability and is committed to achieving zero harm. It is paramount that work is only undertaken when it is deemed safe to do so. The Company for example adheres to a stringent travel approval process.

COMMUNITIES

Intensifying community engagement in Bougainville during 2017 was a priority for the Company. Bougainville Copper appointed a Bougainville Manager to oversee a local project team which has actively engaged with a range of stakeholders, including landowners in the project area. In June of 2017, the Company opened an office in Buka and in the first half of 2018 plans to also open an office in Panguna.

In November 2017, Bougainville Copper also initiated a Village Liaison Officer (VLO) program which initially saw nine VLOs engaged to work in villages across the Panguna project area. The initiative is proving effective in the exchange of accurate information between Panguna communities and the Company and is set to continue.

Strong community engagement in project areas remains essential given the Company has been subjected to a misinformation and destabilisation campaign by other parties with competing interests in Panguna mineral rights.

Bougainville Copper also plans to continue its support for worthwhile community initiatives in Central Bougainville in areas such as sports, culture, education and health.

During 2017, the Company also made excellent progress in settling 1990/91 statutory compensation payments to landowners, with just 79 of 2,123 payments now outstanding.

BOUGAINVILLE

Bougainville Copper, notwithstanding recent events, remains committed to engaging with the ABG positively and in good faith to advance the objective of redeveloping the Panguna mine for the benefit of Bougainville and its people.

Under the Bougainville Peace Agreement, a target date of 15th June 2019 has been set for a referendum on Bougainville's independence. Planning for this became an increasing focus for the ABG during 2017 with an emphasis on weapons disposal, good governance and building public unity.

Any level of social disharmony is seen as a threat to this process and was a consideration in the ABG's refusal to grant an extension of Bougainville Copper's exploration licence (EL1) and to impose an indefinite moratorium over the project area.

The ABG however remains financially constrained and reliant on PNG and donor agency funding and mineral development is considered an important element in moves towards economic self-reliance.

FINANCIAL ASSETS

Bougainville Copper'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 when necessary to fund ongoing Company operations.

BOUGAINVILLE COPPER FOUNDATION

Bougainville Copper Foundation (BCF) has been a fully owned subsidiary of Bougainville Copper since November 2016. It operates as a 'not for profit Company' in supporting student sponsorship.

The Bougainville Copper board has approved sponsorships for up to 15 new students in 2018 while 34 existing students will continue their studies in 2018. BCF has limited liquid assets and its activities in 2018 will continue to be supported by Bougainville Copper through a loan account.

The foundation holds investments in the Pacific Balanced Fund. Partially or fully monetarising this investment remains a future option. The planned review of BCF and its activities in 2017, has been held over.

MEDIA AND COMMUNICATIONS

As Bougainville Copper entered a more active phase in 2017 it also increased its external communications' initiatives using both conventional media and social media platforms. Other parties with competing interests also actively sought to undermine the Company through the media. It was important that through those same channels Bougainville Copper provided information to the market about the Company's activities. Bougainville Copper also developed and launched a new web site in November 2017.

BOARD

Bougainville Copper announced the appointments of prominent Bougainvillean Mr Melchior Togolo CBE and Mr Peter Graham CBE to the board on 20th October 2017, with each bringing extensive industry experience and local knowledge. On 17th November 2017, Chairman Robert Burns advised of his decision to stand down from the board in early 2018. Mr Togolo accepted the board's nomination to replace Mr Burns as Chairman at the board meeting of 21st February 2018.

Mr Burns was appointed Chairman in July 2016 after having served as an independent director since 2006. The board would like to take this opportunity to thank him for his outstanding leadership and strategic guidance during an important transition phase for the Company.

IN CONCLUSION AND THE YEAR AHEAD

Bougainville Copper faces some significant challenges in the year ahead, including new uncertainty over project tenure. We are heartened by the fact your Company retains strong levels of support in Bougainville among customary landowners and other stakeholders. Given the influence of disruptive third parties over the process of renewal of EL1 it is prudent that we seek a Judicial Review of the decision process in the interests of protecting all our shareholders.

At the same time, we are resolved to taking every reasonable step to engage in a respectful and constructive way with the ABG, PNG National Government, landowners and the Bougainville community more broadly, to build further support and confidence in Bougainville Copper, as the logical future developer of Panguna.

As a Company, we know Bougainville extremely well and during the year ahead we plan to further demonstrate that we have much to offer and most importantly we persist for all the right reasons.

Melchior Togolo



Executive Chairman

27th March 2018

Directors' report

The directors of Bougainville Copper present their report on the audited financial statements of the Company for the year ended 31st December 2017.

Financial Summary:

For the year ended 31st December 2017, the Company made a consolidated loss of K7.3 million compared to K3.8 million in 2016. Income from interest and dividends was in line with budget. A K2.4 million gain was realised on the sale of investments. Operating Costs were under budget.

Directors:

The current directors of Bougainville Copper at present are:

Melchior Pesa Togolo CBE

Appointed a director from 20th October 2017 and as Chairman 21st February 2018

Mr Togolo held several senior positions with Bougainville's former North Solomons provincial government between 1978 and 1990 including the role of Chief Secretary. Mr Togolo has almost 25 years in the minerals sector, and since 2006 has served as PNG Country Manager with Nautilus Minerals Inc. He served on the Bougainville Copper board as an alternate member (1977-1980) and as a full board member between 1990 and 1993. He serves on the boards of several private companies. Mr Togolo was a founding member of the Business Council of Papua New Guinea and was president for six years. In 2004 he was awarded Commander of the British Empire for services to industry and commerce in PNG. Mr Togolo holds masters' degrees in economics and geography.

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 Asset Management Limited and Kramer Ausenco. Sir Rabbie is a non-executive director of Yandera Mining Limited, Marengo Mining PNG Limited, YWAM Medical Ships Limited and the Post Courier. Sir Rabbie is a member of the PNG Institute of Directors and Chairman and Patron of many charitable organisations.

Dame Carol A Kidu Dr (Hon) 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 Special Parliamentary Committee on HIV in 2003 and the Papua New Guinea Parliamentary Group on Population and Development in 2008. Dame Carol has been awarded five honorary doctorates (UNRE- Rabaul, UPNG, Queensland University, Deakin University and James Cook University). She was 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. He is also Chairman of several of landowner companies.

Peter Maxwell Graham CBE

Mr Graham served as managing director of ExxonMobil PNG Limited from 2009 to 2015 and has over 40 years' experience in senior technical and leadership positions in the minerals, oil and gas sectors. He is currently managing director and chief executive officer of Ok Tedi Mining Limited, is an independent director and chairman of Kumul Minerals Holdings Limited and served as vice president of PNG Chamber of Mines and Petroleum from 2009 to 2011) and is a director of Port Moresby General Hospital. In 2013 he was awarded Commander of the British Empire for services to the oil and gas industry and for leadership in community development in PNG. He is tertiary qualified in chemical engineering and applied science.

Robert S Burns FRMIT (Primary Metallurgy) FAusIMM MAICD

Robert Burns retired as chairman and managing director on 21st February 2018 after 12 years as a director inclusive of two years as chairman.

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 consolidated loss of Bougainville Copper for 2017 was K7.3 million (2016: K3.8 million).

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 long-term lines of credit are in place.

Dividends:

The directors have not declared a dividend for 2017.

Accounting policies:

There have been no changes made in the Company's accounting policies during 2017.

Directors' interests:

Directors' interests in the share capital of the Company and its related companies as at 27th March 2017 were:

Melchior Togolo	No interests
Sir Rabbie L Namaliu	Shares – Bougainville Copper Limited
	1,000
Dame Carol A Kidu	No interests
Sir Moi Avei	No interests
Peter Graham	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 formed a Remuneration and Nomination Committee on 15 November 2017. The Managing Director conducted an annual performance review of the senior executives. The outcome of those reviews and recommendations regarding salary reviews was reported to the Remuneration and Nomination Committee. Each senior executive was provided feedback on their performance. The Company has 17 full time employees.

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 sufficient 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 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.
3. Except as reported in this Annual Report (including developments subsequent to year end in respect of EL1 tenure), there were no other 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 2017.
4. 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.
5. 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 27th March 2018 in accordance with a resolution of the directors of Bougainville Copper Limited.



Melchior P Togolo
Chairman



Sir Rabbie L Namaliu
Director

Mineral 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 in 2012 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 Mineral 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.

Following confirmation of land tenure and economic viability of the project, the 31 December 2017 Mineral Resource is unchanged from the 31 December 2016 Mineral Resource. Technical studies supporting the statement are unchanged and remain current. An updated JORC Table 1 fact sheet outlining additional or revised technical and financial assumptions supporting this Mineral Resource statement can be found on the Company web site at www.bcl.com.pg

The Mineral Resource is reported 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 operations at 100 million tonnes per year and a potential 60 million tonnes per year processing rate.

Panguna Mineral Resources

	As at 31 December 2016					As at 31 December 2017				
	Tonnes (Mt)	Cu grade (%)	Au grade (g/t)	Cu (Mt)	Au (Moz)	Tonnes (Mt)	Cu grade (%)	Au grade (g/t)	Cu (Mt)	Au (Moz)
Measured	0	-	-	-	-	0	-	-	-	-
Indicated	1,538	0.30	0.33	4.6	16.1	1,538	0.30	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	0.30	0.34	5.3	19.3	1,838	0.30	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, prevailing economic conditions in the future, and legal and social considerations.

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 is an independent geological consultant and Mr Clark is an independent geological consultant. 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 2017

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 21 February 2018 and is effective as at 21 February 2018 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 the Company 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 reserved powers. The Company is an independently managed Papua New Guinea company with a key management team comprising of an Executive General Manager, Company Secretary and a Community Relations Manager under consultancy services agreements and employment contracts. The Company strengthened the management with the recruitment of an additional Manager and three Senior Project Officers in June and August 2017. The Company scaled up to manage the transition to a more active operational status. The Chairman of the Board was confirmed as the Managing Director effective from 1st July 2016 by the Remuneration and Nomination Committee. The management team report directly to the Chairman of the Board acting in the role of Managing Director.

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.

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 formed a Remuneration and Nomination Committee on 15 November 2017. The Remuneration and Nomination Committee reviews director competencies, board succession planning and director selection and nomination, carried out in accordance with the Remuneration and Nomination Committee Charter. The formation of the Remuneration and Nomination Committee, was appropriate due to the Company's current ownership structure and the increasing operational status of the Company's operations. The inaugural members of the Remuneration and Nomination Committee are Sir Rabbie Namaliu (Chairman), Dame Carol Kidu, and Sir Moi Avei. The company secretary is available to attend meetings. All members of the Remuneration and Nomination Committee display strong business acumen.

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 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 11 - 12 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; and
- any other particulars required by law.

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

- (i) Directors – are provided with and enter into letters of appointment outlining their duties and responsibilities.
- (ii) Senior Executives – The Company retains the services of management and consultants under consultancy services agreements and contracts of employment.

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 and Inclusion 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 and Inclusion 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 limited 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 Recommendations. 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 measurable 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 five (5) of the seventeen (17) full time employees are 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 2017, 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, Audit and Risk Committee Charter, and Remuneration and Nomination 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 director's responses and presents the results to the Board for discussion and action. The last review was concluded in February 2018.

The senior executives have consultancy service agreements or employment contracts that clearly set out the roles and responsibilities, and the Company's expectations in terms of performance. The Chairman of the Board in his capacity as Managing Director conducts an annual performance review of the senior executives in accordance to the documented expectations and prepares a report on the outcome of those reviews and recommendations regarding salary reviews, to the Remuneration and Nomination Committee. Each senior executive is provided with feedback on their performance and if required a development plan is agreed to support and align the ongoing contribution of senior executives to the needs of the business. Performance

reviews for the senior executives were conducted during the reporting period in accordance with the process described above.

Principle 2: Structure the board to add value

The Company formed a Remuneration and Nomination Committee on 15 November 2017. The formation of the Remuneration and Nomination Committee was appropriate due to the Company's current ownership structure and the more active operational status of the Company. The Remuneration and Nomination Committee reviews board succession planning and oversees the selection, appointment and re-appointment of directors to the board, in accordance with the Remuneration and Nomination Committee Charter. Where appointments are for senior executives, the Remuneration and Nomination Committee will make recommendations to the board.

The inaugural members of the Remuneration and Nomination Committee are Sir Rabbie Namaliu (Chairman), Dame Carol Kidu, and Sir Moi Avei. The Company secretary is available to attend meetings. All members of the Remuneration and Nomination Committee are independent directors and display strong business acumen.

The Remuneration and Nomination Committee has adopted a formal charter which sets out the role and terms of reference of the Remuneration and Nomination Committee and is reviewed regularly. The Remuneration and Nomination Committee Charter is available at <http://www.bcl.com.pg/investors-2/charters-important-documents/>.

The Remuneration and Nomination Committee held one scheduled meeting during 2017, and attendance details of the 2017 meeting of the Remuneration and Nomination Committee are set out in the table below.

Director	Meetings attended	Meetings whilst in office
Sir Rabbie Namaliu (Committee Chairman)	One	One
Dame Carol Kidu	One	One
Sir Moi Avei	One	One

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 Papua New Guinea 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 on page 11-12.

The board consisted of six directors, of which Sir Rabbie Namaliu, Dame Carol Kidu, Sir Moi Avei, and Peter Graham are independent non-executive directors. Robert Burns retired as Chairman and Managing Director on 21st February 2018 and Melchior Togolo was appointed to the positions of Chairman and Managing Director. 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 Melchior Pesa Togolo - 20 October 2017
- Sir Rabbie Langanai Namaliu - 2 March 2011
- Ms Dame Carol Anne Kidu - 9 August 2012
- Sir Moi Avei - 12 September 2016
- Mr Peter Maxwell Graham - 20 October 2017
- Mr Robert Staley Burns - 3 January 2006 (retired 21 February 2018)

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 majority of the board are independent 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 is or has been:
- employed in an executive capacity or part of the executive management of the Company or any of its child entities (if applicable), or
- a partner, director or senior employee of a provider of material professional services to the Company or any of its child entities (if applicable); whether the director or a close family member is, or is associated with, a substantial shareholder (a shareholder with more than five per cent of the voting shares) of the Company;
- whether the director or a close family member has a material contractual relationship with the Company or any of its child entities (if applicable) other than as a director, 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 or any of its child entities (if applicable), whether as an auditor, professional adviser, supplier or customer, or associated with someone with such a relationship.

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.

Mr Melchior Togolo was appointed Chairman and Managing Director on 21 February 2018. The Company does not have a CEO. Mr Robert Burns retired as a Director, Chairman and acting Managing Director, on 21 February 2018.

The board considers that its existing practices in having the Chairman fulfil the role of Managing Director is satisfactory to allow the Company to properly fulfil its responsibilities effectively and is appropriate given the size of the board, the Company's current ownership structure and the limited operational status of the Company's operations. The board will continue to monitor and review the Managing Director role and will appoint a CEO where operationally desirable and strategically appropriate.

Directors receive and enter into 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 Company has a Code of Conduct which applies to all directors, officers, employees, consultants and contractors. The Code of Conduct is available online at <http://www.bcl.com.pg/company-policies/>. 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
- Remuneration and Nomination 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/company-policies/>).

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 three 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 Managing Director Melchior Togolo and two independent non-executive directors, Peter Graham (committee chairman elect) and Sir Moi Avei. The Company considers that the majority of the Audit and Risk Committee are independent directors and that this is satisfactory to allow the Audit and Risk Committee to properly fulfil its responsibilities effectively and is appropriate given the Company's current ownership structure and the limited operational status of the Company's operations. The Company will continue to monitor and review the Audit and Risk Committee membership and will appoint committee members where operationally desirable and strategically appropriate.

The Company secretary and external auditors are available to attend meetings. All members of the Audit and Risk Committee are financially literate.

Sir Rabbie Namaliu, Dame Carol Kidu, and Sir Moi Avei resigned from the Audit and Risk Committee on 15 November 2017. Sir Moi Avei was reappointed 21 February 2018 on the retirement of Robert Burns. The qualifications and experience of the committee members is outlined in the Directors' Report on pages 11-12 of the 2017 Annual Report.

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 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 2017, and attendance details of the 2017 meetings of the Audit and Risk Committee are set out in the table below.

Director	Meetings attended	Meetings whilst in office
Robert Burns (Chairman retiring)	Four	Four
Sir Rabbie Namaliu (resigned)	Four	Four
Dame Carol Kidu (resigned)	Four	Four
Sir Moi Avei	Three	Four
Peter Graham (Chairman elect)	One	One
Melchior Togolo	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 in Australia, 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 31 December 2017 have been properly maintained; and
- the financial statements for the financial year ended 31 December 2017 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, PwC, 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 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;
- information about the current developments is provided at the meeting, to make it easy for shareholders to participate and ask questions; and
- 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 registrars 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 principals but does combine the function within the Audit and Risk Committee responsibilities. Please refer to *Principal 4: Safeguard Integrity of Corporate Reporting* for information regarding the composition and operation of the Audit and Risk Committee.

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 receives biannually 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 Expenditure Authority Levels and Internal Controls Policy which is available at <http://www.bcl.com.pg/investors-2/company-policies/>;
- the Company has in place a regulatory compliance program;

- 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 was facilitated during the year 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 has limited operations and is 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 concerning matters such as payment authorisations and limits of authority and awareness and compliance with the Expenditure Authority Levels 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 an inactive mining and production Company, faces risks in its activities, including economic, regulatory, 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 separate remuneration committee as recommended by the Recommendations but does combine the function within the Remuneration and Nomination Committee responsibilities. Please refer to *Principal 2: Structure the board to add value* for information regarding the composition and operation of the Remuneration and Nomination Committee.

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 a Board Committee. Directors are not entitled to retirement benefits.

The Company has seventeen (17) full time employees as part of the Company's team. Remuneration is governed by a Remuneration 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. Regarding 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 2017

	Notes	Consolidated		Parent	
		2017	2016	2017	2016
		K'000	K'000	K'000	K'000
Income					
Interest		28	148	28	148
Exchange gains	7	-	28	-	28
Other Income	3	2,397	3,012	2,397	1,568
Dividends		5,210	4,547	5,130	4,547
		<u>7,635</u>	<u>7,735</u>	<u>7,555</u>	<u>6,291</u>
Cost and expenses					
Operating expenses	4	(14,834)	(11,522)	(13,958)	(11,522)
Exchange loss	7	(102)	-	(102)	-
		<u>(14,936)</u>	<u>(11,522)</u>	<u>(14,060)</u>	<u>(11,522)</u>
Loss before tax		<u>(7,301)</u>	<u>(3,787)</u>	<u>(6,505)</u>	<u>(5,231)</u>
Income tax	6	-	-	-	-
Loss after tax		<u>(7,301)</u>	<u>(3,787)</u>	<u>(6,505)</u>	<u>(5,231)</u>
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	19,679	1,859	19,679	1,859
Total other comprehensive income (loss)		<u>19,679</u>	<u>1,859</u>	<u>19,679</u>	<u>1,859</u>
Total comprehensive income (loss) for the year		<u>12,378</u>	<u>(1,928)</u>	<u>13,174</u>	<u>(3,372)</u>
Basic and diluted earnings per share (toea)		(1.82)	(0.94)		

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 31 to 49 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 2017

	Share capital	Fair value reserve	Accumulated Losses	Total
Consolidated	K'000	K'000	K'000	K'000
Brought forward at 01.01.16	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
Profit (loss) for the year	-	-	(7,301)	(7,301)
Other comprehensive income (loss) for the year	-	19,679	-	19,679
Balance at 31.12.17	401,063	60,165	(335,443)	125,785

	Share capital	Fair value reserve	Accumulated Losses	Total
Parent	K'000	K'000	K'000	K'000
Brought forward at 01.01.16	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
Profit (loss) for the year	-	-	(6,505)	(6,505)
Other comprehensive income (loss) for the year	-	19,679	-	19,679
Balance at 31.12.17	401,063	60,165	(336,091)	125,137

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand kina has been adopted. The notes on pages 31 to 49 form part of these accounts and are to be read in conjunction with them.

Balance Sheets

Bougainville Copper Limited at 31 December 2017

	Notes	Consolidated		Parent	
		2017 K'000	2016 K'000	2017 K'000	2016 K'000
Funds employed :					
Shareholders' funds					
Share capital	12	401,063	401,063	401,063	401,063
Fair value reserve	13	60,165	40,486	60,165	40,486
Accumulated losses		(335,443)	(328,142)	(336,091)	(329,586)
		<u>125,785</u>	<u>113,407</u>	<u>125,137</u>	<u>111,963</u>
Non-current liabilities					
Provisions	8 (d)	132	129	132	129
Other payables	8 (b)	194	305	194	305
Income tax	6 (b)	6,759	6,759	6,759	6,759
		<u>7,085</u>	<u>7,193</u>	<u>7,085</u>	<u>7,193</u>
Current liabilities					
Provisions	8 (c)	2,269	14,759	2,269	14,759
Trade payables	8 (a)	1,418	774	1,418	774
		<u>3,687</u>	<u>15,533</u>	<u>3,687</u>	<u>15,533</u>
Total funds		<u>136,557</u>	<u>136,133</u>	<u>135,909</u>	<u>134,689</u>
These funds are represented by :					
Non-current assets					
Available for sale financial assets	5	119,027	114,477	117,927	113,377
Mine assets	9	-	-	-	-
Plant and Equipment	10	1,553	1,265	1,553	1,265
Other receivables	11 b)	829	826	1,377	1,099
		<u>121,409</u>	<u>116,568</u>	<u>120,857</u>	<u>115,741</u>
Current assets					
Cash and cash equivalents		2,512	19,283	2,416	18,666
Other receivables	11 a)	636	282	636	282
Available for sale financial assets	5	12,000	-	12,000	-
		<u>15,148</u>	<u>19,565</u>	<u>15,052</u>	<u>18,948</u>
Total assets		<u>136,557</u>	<u>136,133</u>	<u>135,909</u>	<u>134,689</u>

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 31 to 49 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 2017

	Consolidated		Parent	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Cash flows from operating activities				
Payments to suppliers	(26,709)	(12,751)	(26,108)	(12,751)
Interest received	26	146	26	146
Dividends received	5,210	1,342	5,130	1,342
Net operating cash out flows	(21,473)	(11,263)	(20,952)	(11,263)
Cash flows from investing activities				
Purchases of plant and equipment	(721)	-	(721)	-
Sale of available for sale financial assets	5,526	950	5,526	950
Acquisition of subsidiary, net of cash acquired	-	617	-	-
Net investing cash in flows	4,805	1,567	4,805	950
Net increase/(decrease) in cash and cash equivalents				
Net cash flow	(16,668)	(9,696)	(16,147)	(10,313)
Cash and cash equivalents at beginning of year	19,283	28,951	18,666	28,951
Effect of exchange rate changes on cash and cash equivalents	(103)	28	(103)	28
Cash and cash equivalents at end of year	2,512	19,283	2,416	18,666

All amounts are expressed in Papua New Guinea Kina. Rounding to the nearest thousand Kina has been adopted. The notes on pages 31 to 49 form part of these accounts and are to be read in conjunction with them.

For, and on behalf of, the board.



Melchior P Togolo
Chairman



Sir Rabbie L Namaliu
Director

27th March 2018

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 27th March 2018.

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 an 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 less accumulated depreciation. 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 relate 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 recognised 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 asset 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 asset’s 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 asset's 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 2017 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 2017 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 loss 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, which 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 commenced the processing of the application in October 2017 and on 16 January 2018 issued a Notice of refusal to grant the renewal of the application for the following reasons:

1. The required majority consent of the landowners was not evident during the Mining Wardens hearing and shows BCL does not have the social licence to operate the mine.
2. The reopening of the Panguna Mine is a divisive issue and has the potential to adversely affect the ABG's preparation for the conduct of the referendum given that it was BCL's past operation of Panguna Mine that ignited the Bougainville crisis which resulted in the loss of about 20,000 lives. Hence, it is in Bougainville's best interest to maintain peace and unity.

The Company has commenced an action in the National Court of Papua New Guinea seeking leave for a Judicial Review of the renewal application process. The application for leave was adjourned to the 5th April 2018. An interim restraining order was granted against the defendants, the ABG, from giving effect to or relying on the decision to refuse the application by Bougainville Copper for extension of EL1. That restraining order also returns to court on 5 April 2018 and its continuation will depend on whether leave is granted by the PNG National Court to proceed to judicially review the decision by the Mining Registrar. So long as the interim restraining order is in place and, until a determination is made on that decision-making process, Bougainville Copper still holds rights over EL1.

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	
	2017 K'000	2016 K'000	2017 K'000	2016 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	2,397	311	2,397	311
Total Other income	2,397	3,012	2,397	1,568

During 2016 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		Parent	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Remuneration of Directors (note 14)	1,975	932	1,975	932
Board meetings	250	309	250	309
Auditors' remuneration				
- auditing the financial statements	140	165	140	165
- taxation and consulting services	75	45	75	45
Share registry costs	237	222	237	222
Insurance	184	251	184	251
Management fees - related party (note 18)	-	3,000	-	3,000
Legal fees	384	480	384	480
Document cataloguing	296	945	296	945
Order of magnitude costs	41	104	41	104
Social, technical and environmental studies	3,034	2,284	3,034	2,284
Communication and media costs	399	485	399	485
Compensation	-	118	-	118
Education Scholarships	876	-	-	-
Corporate subscriptions	179	173	179	173
Goods and services tax	-	336	-	336
Administrative costs	4,661	751	4,661	751
Depreciation on administration assets	421	102	421	102
Other operating expenses	1,682	820	1,682	820
	14,834	11,522	13,958	11,522

5. Available for sale financial assets

At fair value	Consolidated		Parent	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Opening balance	114,477	108,953	113,377	108,953
Movement in fair value reserve	19,679	1,859	19,679	1,859
Disposal of available for sale assets	(3,129)	(640)	(3,129)	(640)
Additions to available for sale financial assets	-	3,205	-	3,205
Acquisition of subsidiary	-	1,100	-	-
Closing balance	<u>131,027</u>	<u>114,477</u>	<u>129,927</u>	<u>113,377</u>
Original cost when purchased				
Opening cost balance	73,991	70,326	72,891	70,326
Disposal of available for sale assets	(3,129)	(640)	(3,129)	(640)
Additions to available for sale financial assets	-	3,205	-	3,205
Acquisition of subsidiary	-	1,100	-	-
	<u>70,862</u>	<u>73,991</u>	<u>69,762</u>	<u>72,891</u>
Fair value reserve year end balance	<u>60,165</u>	<u>40,486</u>	<u>60,165</u>	<u>40,486</u>
Closing fair value balance	<u>131,027</u>	<u>114,477</u>	<u>129,927</u>	<u>113,377</u>

Available for sale financial assets is classified as follows:

Current	12,000	-	12,000	-
Non-current	<u>119,027</u>	<u>114,477</u>	<u>117,927</u>	<u>113,377</u>
	<u>131,027</u>	<u>114,477</u>	<u>129,927</u>	<u>113,377</u>

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 2017 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

(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:

	Consolidated		Parent	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Operating profit/(loss) before taxation	(7,301)	(3,787)	(6,505)	(5,231)
Prima facie income tax @ 30 per cent	(2,190)	(1,136)	(1,952)	(1,569)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	(4,419)	(433)	(4,419)	-
Potential tax benefit not recognised	6,609	1,569	6,371	1569
Income tax expense/(credit)	-	-	-	-

(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 K69,244,173 (2016 K48,009,280)

7. Exchange fluctuation

	Consolidated		Parent	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
(a) Exchange gain/(loss) reflected in earnings arising from financial assets:	(102)	28	(102)	28
Gain/(loss)	(102)	28	(102)	28
(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	13,105	72	13,105	72
Non-current assets	117,927	113,377	117,927	113,377
Current liabilities	331	565	331	565
Kina equivalent of Australian dollars				

8. Liabilities

	Consolidated		Parent	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Trade Payables				
(a) Current				
Trade creditors	1,418	774	1,418	774
(b) Non current				
Other payables	194	305	194	305
Provisions (excluding impairment)				
c) Current				
Compensation *	2,059	14,577	2,059	14,577
Employee Entitlements	210	182	210	182
	<u>2,269</u>	<u>14,759</u>	<u>2,269</u>	<u>14,759</u>
d) Non Current				
Employee Entitlements	22	19	22	19
Make good provision - premises lease	110	110	110	110
	<u>132</u>	<u>129</u>	<u>132</u>	<u>129</u>
e) Movements in provisions				
		Compensation	Employee	Make good
			entitlements	provision
				premises
				lease
		K'000	K'000	K'000
Opening balance		14,577	201	110
Provisions recognised during the year		-	222	-
Amounts used during year		<u>(12,518)</u>	<u>(191)</u>	<u>-</u>
Closing balance		<u>2,059</u>	<u>232</u>	<u>110</u>

* 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 has commenced, and expects to finalise, the payment program in the 2018 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	<u>29,112</u>
Total	<u>1,036,049</u>

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 commenced the processing of the application in October 2017 and on 16 January 2018 issued a Notice of refusal to grant the renewal of the application. The Company has commenced an action in the National Court of Papua New Guinea seeking leave for a Judicial Review of the renewal application process. The application for leave was adjourned to the 5th April 2018. An interim restraining order was granted against the defendants, the ABG, from giving effect to or relying on the decision to refuse the application by Bougainville Copper for extension of EL1. That restraining order also returns to court on 5 April 2018 and its continuation will depend on whether leave is granted by the PNG National Court to proceed to judicially review the decision by the Mining Registrar. So long as the interim restraining order is in place and, until a determination is made on that decision-making process, Bougainville Copper still holds rights over EL1.

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	Construction in progress	Total
	K'000	K'000	K'000	K'000	K'000
At 31 December 2016					
Cost	800	190	377	-	1,367
Accumulated depreciation	(67)	(16)	(19)	-	(102)
Net book value	733	174	358	-	1,265
Year ended 31 December 2017					
Opening net book amount	733	174	358	-	1,265
Additions	-	125	32	564	721
Disposals	-	-	(12)	-	(12)
Depreciation charge	(266)	(79)	(76)	-	(421)
Closing net book value	467	220	302	564	1,553
At 31 December 2017					
Cost	800	315	396	564	2,075
Accumulated depreciation	(333)	(95)	(94)	-	(522)
Net book value	467	220	302	564	1,553

11. Other receivables	Consolidated		Parent	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
a) Current				
Sundry receivables	8	2	8	2
Deposits and bonds	67	-	67	-
Prepayments	420	280	420	280
Goods and services tax receivable	141	-	141	-
	<u>636</u>	<u>282</u>	<u>636</u>	<u>282</u>
b) Non Current				
Withholding tax receivable	829	826	511	508
Related party receivables (Note 18)	-	-	866	591
	<u>829</u>	<u>826</u>	<u>1,377</u>	<u>1,099</u>

Withholding tax receivable 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 2017.

13. Fair value reserve	Consolidated		Parent	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Fair value reserve	<u>60,165</u>	<u>40,486</u>	<u>60,165</u>	<u>40,486</u>

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	40,486	38,627	40,486	38,627
Movement	22,076	2,170	22,076	2,170
Fair value realised through disposal	(2,397)	(311)	(2,397)	(311)
Net movement	<u>19,679</u>	<u>1,859</u>	<u>19,679</u>	<u>1,859</u>
Closing balance	<u>60,165</u>	<u>40,486</u>	<u>60,165</u>	<u>40,486</u>

14. Remuneration of directors

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

	Consolidated		Parent	
	2017 K'000	2016 K'000	2017 K'000	2016 K'000
Robert S Burns ⁽¹⁾	1,305	218	1,305	218
Sir Rabbie L Namaliu ⁽²⁾	159	151	159	151
Dame Carol A Kidu ⁽²⁾	159	151	159	151
Sir Moi Avei ⁽³⁾	270	48	270	48
Melchior P Togolo ⁽⁴⁾	50	-	50	-
Peter M Graham ⁽⁵⁾	32	-	32	-
Peter R Taylor ⁽⁶⁾	-	364	-	364
	<u>1,975</u>	<u>932</u>	<u>1,975</u>	<u>932</u>

(1) Short term benefits paid as Chairman K270,000 and audit and risk committee fee of K25,000 and K1,010,000 as managing director from 1st July 2016 to 31 December 2017. No other long-term benefits, post-employment benefits, termination benefits or share based payments are payable to the directors.

(2) Short term benefits paid to the directors comprise of a base fee of K135,000, audit and risk committee fee of K21,000 to 14th November 2017 and remuneration and nomination Committee fees of K3,000 from 15th November 2017. No other long-term benefits, post-employment benefits, termination benefits or share based payments are payable to the directors.

(3) Short term benefits paid to Sir Moi Avei comprised of a base fee of K135,000, audit and risk committee fee of K21,000 to 14th November 2017, Remuneration and nomination Committee fees of K3,000 from 15th November 2017 and an additional contract for governmental discussions of K111,000. No other long term-benefits, post-employment benefits, termination benefits or share based payments are payable to the directors.

(4) Melchior Togolo was appointed a director 20th October 2017 and incoming chairman from 15th November 2017. Short term benefits as a director comprise of a base fee of K10,000, incoming chairman of K35,000 and audit and risk committee fee of K5,000. No other long-term benefits, post-employment benefits, termination benefits or share based payments are payable to the directors.

(5) Peter Graham was appointed a director 20th October 2017. Short term benefits as a director comprise of a base fee of K27,000, and audit and risk committee fee of K5,000. No other long-term benefits, post-employment benefits, termination benefits or share based payments are payable to the directors.

(6) Peter R Taylor resigned as director on 30th June 2016. He 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 in 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.

A further claim has been made from another mine affected landowner group. Discussions continue with the land group to determine the amount, if any, of statutory compensation that may be due. No provision has been made for any liability that may arise from this further claim.

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 commenced the processing of the application in October 2017 and on 16 January 2018 issued a Notice of refusal to grant the renewal of the application for the following reasons:

1. The required majority consent of the landowners was not evident during the Mining Wardens hearing and shows BCL does not have the social licence to operate the mine.
2. The reopening of the Panguna Mine is a divisive issue and has the potential to adversely affect the ABG's preparation for the conduct of the referendum given that it was BCL's past operation of Panguna Mine that ignited the Bougainville crisis which resulted in the loss of about 20,000 lives. Hence, it is in Bougainville's best interest to maintain peace and unity.

The Company has commenced an action in the National Court of Papua New Guinea seeking leave for a Judicial Review of the renewal application process. The application for leave was adjourned to the 5th April 2018. An interim restraining order was granted against the defendants, the ABG, from giving effect to or relying on the decision to refuse the application by Bougainville Copper for extension of EL1. That restraining order also returns to court on 5 April 2018 and its continuation will depend on whether leave is granted by the PNG National Court to proceed to judicially review the decision by the Mining Registrar. So long as the interim restraining order is in place and, until a determination is made on that decision-making process, Bougainville Copper still holds rights over EL1.

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 primarily 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% (2016: 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 2017.

In 2016 the Company paid fees of K2,999,619 for the provision of office space, staff and related services to Rio Tinto PNG Limited.

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

	Consolidated		Parent	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Bougainville Copper Foundation	-	-	866	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	Consolidated	Parent	Parent
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Cash and cash equivalents	2,512	19,283	2,416	18,666
Other receivables	1,465	1,108	2,012	1,381
Available for sale financial assets	131,027	114,477	129,927	113,377
Trade payables	(1,418)	(774)	(1,418)	(774)
Other payables and income tax	(6,953)	(7,064)	(6,953)	(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	
	2017	2016	2017	2016
Available for sale financial assets	K'000	K'000	K'000	K'000
Carrying amount at the balance date	129,927	113,377	129,927	113,377

Change in carrying amount of 'available for sale financial assets' and fair value reserve:

	Consolidated		Parent	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Had PNG Kina weakened by 10 per cent against the Australian dollar:				
Increase in carrying amount and fair value reserve by:	14,436	12,597	14,436	12,597
Had PNG Kina appreciated by 10 per cent against the Australian dollar:				
Decrease in carrying amount and fair value reserve by:	11,812	10,307	11,812	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	
	2017	2016	2017	2016
Available for sale financial assets	K'000	K'000	K'000	K'000
Carrying amount at the balance date	129,927	113,377	129,927	113,377

Change in carrying amount of 'available for sale financial assets' and fair value reserve:

	Consolidated		Parent Entity	
	2017	2016	2017	2016
	K'000	K'000	K'000	K'000
Had the share price increased by 10 per cent:				
Increased in carrying amount and fair value reserve by:	12,993	11,338	12,993	11,338
Had the share price decreased by 10 per cent:				
Decrease in carrying amount and fair value reserve by:	12,993	11,338	12,993	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	<u>1,444</u>

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

There were no acquisitions in the 2017 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 2017 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 2017.

If the acquisition occurred on the 1st January 2016, consolidated proforma revenue for 2016 would have been K7,979,000 and the loss for that 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

	K'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	5
Less cash acquired	<u>(617,000)</u>
Net cash inflow – investing activities	<u>(616,995)</u>

Directors' Declaration

Directors' declaration Bougainville Copper Limited

In the directors' opinion

- (a) the financial statements and notes set out on pages 31 to 49 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 2017 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: Melchior P Togolo

Director: Rabbie L Namaliu

Director: Carol A Kidu

Director: Sir Moi Avei

Director Peter M Graham

Signed on 27th March 2018.



Independent auditor's report

To the shareholders of Bougainville Copper Limited

Report on the audit of the financial statements of the Company and the 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 2017, 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 which 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 2017 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:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2017, and their financial performance and cash flows for the year then ended.

Basis for qualified opinion

Qualification

The Company's subsidiary holds an investment in an unlisted investment fund classified as an available-for-sale financial asset with a carrying value of K1.1 million at 31 December 2017. Management have not been provided with the 2017 audited financial statements of the investee and there is currently no active market for the sale of units in the investment fund. As a result, we have been unable to satisfy ourselves as to the valuation of K1.1 million of the available-for-sale financial assets recognised in the consolidated balance sheet at 31 December 2017.

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 other services for the Group in the areas of taxation and other non-audit services. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

PricewaterhouseCoopers

PwC Haus, Level 6, Harbour City, Konedobu. PO Box 484, PORT MORESBY, PAPUA NEW GUINEA
T: (675) 321 1500 / (675) 305 3100, F: (675) 321 1428, www.pwc.com.pg

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
<ul style="list-style-type: none"> For the purpose of our audit of the Group we used overall group materiality of K1,257,850 which represents 1% of the Group's net assets. 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 chose Group net assets because, 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the matter referred to in the <i>Basis for qualified opinion</i> section and the following key audit matter to the Audit and Risk Committee: <ul style="list-style-type: none"> Accounting for / disclosure of impact of the implementation of the Bougainville Mining Act 2015. This matter is further described in the <i>Key audit matters</i> 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
<p data-bbox="204 405 759 495">Accounting for/ disclosure of impact of the implementation of the Bougainville Mining Act 2015</p> <p data-bbox="204 524 738 584"><i>(Refer to notes 2(i), 9 and 16 of the financial statements)</i></p> <p data-bbox="204 613 799 734">Legislation passed in 2014 and 2015 by the Autonomous Bougainville Government (ABG) has challenged the company’s control of the Panguna mine assets.</p> <p data-bbox="204 763 799 1010">The Special Mining Lease held by the company was converted to an exploration licence. In January 2018 the company’s application to renew the exploration licence was refused by the ABG. The company has commenced an action in the National Court of Papua New Guinea seeking leave for a Judicial Review of the renewal application process.</p> <p data-bbox="204 1039 799 1189">These events continue uncertainty around the future of exploration and mining operations at the Panguna mine and surroundings which impacts accounting for mine assets and related disclosures.</p>	<p data-bbox="831 434 1401 524">Our consideration and testing of the uncertainty of future exploration and mining operations has included:</p> <ul data-bbox="831 524 1422 981" style="list-style-type: none"> <li data-bbox="831 524 1422 645">- Confirming the mine assets remain fully depreciated or impaired, consistent with the accounting treatment in the prior financial year. <li data-bbox="831 645 1422 801">- 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. <li data-bbox="831 801 1422 891">- Reviewing the Director’s assessment of the impact of the relevant legislative requirements and ongoing implications. <li data-bbox="831 891 1422 981">- Reviewing the adequacy of financial statement disclosures in relation to the matter.

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 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 ability of the Group 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 Group 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 the 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 the financial statements.

As part of an audit in accordance with International Standards on Auditing, 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 financial statements. 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 2017:

- 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.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink that appears to read 'Christopher Hansor'.

Christopher Hansor
Partner
Registered under the Accountants Act 1996

Port Moresby
27 March 2018

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 27th March 2018 and the number of shares held by each were:

	Name and Registered Address	Shares	% of Issued Shares
1.	BOUGAINVILLE MINERALS LTD BUKA, AUTONOMOUS REGION OF BOUGAINVILLE, PAPUA NEW GUINEA	146,175,449	36.45
2.	THE INDEPENDENT STATE OF PAPUA NEW GUINEA WARDS STRIP, WAIGANI PAPUA NEW GUINEA	76,430,809	19.06
3.	EDA MINERALS LIMITED PORT MORESBY, NATIONAL CAPITAL, DISTRICT PAPUA NEW GUINEA	69,744,640	17.39
4.	J P MORGAN NOMINEES AUSTRALIA LIMITED MELBOURNE VICTORIA, AUSTRALIA	59,264,812	14.78
5.	CITICORP NOMINEES PTY LIMITED MELBOURNE VICTORIA, AUSTRALIA	5,847,760	1.46
6.	NATIONAL NOMINEES LIMITED MELBOURNE VICTORIA, AUSTRALIA	4,227,472	1.05
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED SYDNEY NEW SOUTH WALES, AUSTRALIA	3,345,305	0.83
8.	KLAUS KUETTNER BERLIN, GERMANY	1,151,799	0.29
9.	MRS JABINDERJIT KAUR PIARA SINGH KUALA LUMPUR, MALAYSIA	900,000	0.22
10.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED SYDNEY NEW SOUTH WALES, AUSTRALIA	839,223	0.21
11.	BNP PARIBAS NOMS PTY LTD SYDNEY NEW SOUTH WALES, AUSTRALIA	664,737	0.17
12.	FRANCISROSE PTY LTD SHELL COVE NEW SOUTH WALES, AUSTRALIA	600,000	0.15
13.	NATIONAL NOMINEES LIMITED MELBOURNE VICTORIA, AUSTRALIA	578,262	0.14
14.	EVEREST ASTROLOGY PTY LTD HUONBROOK NEW SOUTH WALES, AUSTRALIA	566,668	0.14
15.	ANLYN'S INVESTMENTS PTY LTD BULLI, NEW SOUTH WALES, AUSTRALIA	566,666	0.14
16.	RIMIKA NOMINEES PTY LTD <CHALMERS UNIT ACCOUNT> SYDNEY NEW SOUTH WALES, AUSTRALIA	533,253	0.13
17.	MR GARRY RAYMOND CHURCHILL <MINTEK CHURCHILL S/F A/C> CLIFTON BEACH, QQUENSLAND, AUSTRALIA	498,389	0.12
18.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> SYDNEY NEW SOUTH WALES, AUSTRALIA	449,063	0.11
19.	BELMARK INVESTMENTS PTY LTD GLENSIDE, SOUTH AUSTRALIA, AUSTRALIA	400,000	0.1
20.	MR GERNOT GUNTHER PROCHASKA + MRS STELLA SING WAH PROCHASKA NORTH RYDE, NEW SOUTH WALES, AUSTRALIA	400,000	0.1
		373,184,307	93.04

Distribution of shares

As at 27th March 2017 the issued shares of the Company were 401,062,500 fully paid shares, each carrying one voting right. The number of shareholders was 14,909.

	Number	%
1 - 1,000 shares	12,574	0.61
1,001 - 5,000 shares	1,571	0.93
5,001 - 10,000 shares	362	0.72
10,001 shares and over	<u>396</u>	<u>97.74</u>
Total shareholders	<u>14,903</u>	<u>100</u>

There were 13,574 holdings of shares (91.08 per cent) which do not form a marketable parcel.

93.05 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 2017

2017 **K million**
1972-2016

PNG Government

Corporate income tax *	-	541.2
Additional profits tax *	-	72.6
Group tax (PAYE)	0.7	124.2
Customs duty	-	104.1
Miscellaneous	-	14.5
Dividends *	-	167.4
Dividend WHT *	-	97.6
Good and Services tax Refundable or offset	(0.4)	
	<u>0.3</u>	<u>1,121.60</u>

North Solomons Provincial Government

Royalties (95% to NSPG)	-	61.4
Non Renewable Resources Fund	-	1.8
Other taxes	-	12
	<u>-</u>	<u>75.2</u>

Landowners

Royalties (5% to Landowners)	-	3.2
Compensation	12.5	35.0
	<u>12.5</u>	<u>38.2</u>

Non-Government Shareholders

Dividends net of Dividend WHT *	-	582.1
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Employees

Wages (less PAYE)	0.3	575.6
Total	<u>13.1</u>	<u>2,392.7</u>

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.

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Appendix 4G

Key to Disclosures Corporate Governance Council Principles and Recommendations

Introduced 01/07/14 Amended 02/11/15

Name of entity

BOUGAINVILLE COPPER LIMITED

ABN / ARBN

ARBN 007 497 869

Financial year ended:

31 December 2017

Our corporate governance statement² for the above period above can be found at:³

- ✓ These pages of our annual report: Pages 16 to 26
- ✓ This URL on our website: <http://www.bcl.com.pg/charters-important-documents/>

The Corporate Governance Statement is accurate and up to date as at *[insert effective date of statement]* and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 27 March 2018

Name of Secretary authorising lodgement: Mark Hitchcock

¹ Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

² "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

³ Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): ✓ at http://www.bcl.com.pg/charters-important-documents/	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

⁴ If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at http://www.bcl.com.pg/company-policies/</p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴	
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p>✓ in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p>✓ at http://www.bcl.com.pg/charters-important-documents/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p>✓ in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p>✓ in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: ✓ in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): ✓ in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: ✓ in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	✓ an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: ✓ in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: ✓ in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴	
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p>✓ in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p>✓ at http://www.bcl.com.pg/charters-important-documents/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p>✓ in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p>✓ in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at http://www.bcl.com.pg	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement OR <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴	
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p>✓ in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p>✓ at http://www.bcl.com.pg/charters-important-documents/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p>✓ in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p>✓ in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p>✓ in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... ⁴
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

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PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p>✓ in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p>✓ at http://www.bcl.com.pg/charters-important-documents/</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p>✓ in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p>✓ in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p>✓ in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

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ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>