



BOUGAINVILLE
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Press Release

25 May 2018

**Annual General Meeting 24 May 2018
Bougainville Copper Limited**

The attached material was presented at the Annual General meeting in Port Moresby, Papua New Guinea yesterday.

This presentation has been posted on the Bougainville Copper website www.bcl.com.pg

By Order of the Board

Mark Hitchcock
Company Secretary



Chairman's Address 2018 Annual General Meeting Bougainville Copper Limited

24th May 2018

AGM Welcome

On behalf of the board and management, I welcome you to the 2018 Annual General Meeting (AGM) of Bougainville Copper Limited (BCL).

As Chairman, the AGM provides me with an important opportunity to make a statement regarding the up-to-date affairs of the Company, including the latest financial results and other issues of relevance.

Copies of this statement are available here today and will also be posted on the Company website.

At the end of my remarks, there will be an opportunity for you to ask any questions that you may have.

Overview

There was expectation that the vision of returning to active exploration and profitable, sustainable mining at Panguna could be materially advanced in 2017.

This optimism was strengthened in February 2017 with the endorsement by the Autonomous Bougainville Government (ABG) and landowners of the Company's four-stage (0-3) redevelopment plan.

There was also anticipation that the Company's application for the extension of its project exploration licence (EL1) would be successful.

At the same time, BCL was facing some notable challenges that intensified as the year progressed. These were largely driven by other parties with competing interests in Panguna mineral rights, who sought to actively undermine our position, our tenure and our relationships with the ABG and other stakeholders.

But, despite these ongoing challenges, the Company continued to make some solid progress in implementing stage 0 of our previously outlined redevelopment plan.

Some of these key milestones included, the:

- hiring of a Bougainville manager and local project team;



- opening of an office in Buka in June;
- holding our first board meeting in Bougainville in more than 27 years in August;
- further strengthening of the board with new appointments; and
- substantive progress in settling outstanding 1990/91 landowner compensation.

Despite the solid progress and continued strong support from customary landowners, the Company faced organised opposition from vested interests during our Mining Warden's Hearing in Panguna on 11th December (2017), which formed part of the EL1 approval process.

There had also been coordinated disruption in June, when a roadblock prevented the President, his delegation and landowners from signing an ABG Memorandum of Agreement supporting redevelopment led by BCL.

These challenges have been exacerbated by an ongoing and inter-related leadership dispute within the Special Mining Lease Osikaiyang Landowners Association (SMLOLA), one of nine landowner associations. This remains subject to court proceedings.

So, at a critical time when Bougainville is planning for a referendum as part of the Bougainville Peace Agreement, the ABG advised the Company in January 2018 of a decision not to extend EL1.

In February 2018, the ABG also announced a mining reservation over the tenement area which was subsequently gazetted.

The social disharmony created by vested interests opposing BCL were undoubtable factors in these decisions.

To protect the interests of all shareholders, BCL has taken a decision to seek a Judicial Review of the refusal of EL1 extension, which I will come to shortly.

Financial Results

As detailed in the Annual Report, the Company recorded a consolidated loss after tax of K7.30 million for the year ended 31 December 2017, compared to a 2017 budgeted loss of K15.2 million and consolidated loss of K3.78 million in 2016. As per last year, the financial results are consolidated to include the Bougainville Copper Foundation (BCF) which is a wholly-owned subsidiary of the parent company.

Consolidated income for 2017 was K7.63 million, which included K5.23 million in interest and dividends and realised gains on the sale of investments of K2.39 million.

Operating expenses for the year were K14.83 million (2016: K11.52 million) and were under budget.



The Company has sufficient funds to meet recurrent expenditure under the current work plan and remains debt free. BCL will not pay a dividend.

Liquid & Total Assets

As of 31 December 2017, the Company's liquid assets included K2.51 million in cash and equivalents and K119.02 million in Australian equity investments (2016: K114.47 million). Under the current strategy, equities are only sold to help fund ongoing operations. We have classified K12.00 million of the 'available for sale financial assets' as current.

The Company has total consolidated assets of K136.56 million, including plant, equipment and other receivables.

Project Tenure (EL1)

On January 16, 2018 BCL received formal notice from the ABG Mining Registrar of the decision not to grant an extension of Exploration Licence (EL1). President Momis said the decision was based on a "narrow divide".

However, the Company believes it has the strong majority support of customary landowners for the extension of EL1 being granted. This was expressed in a written submission to the Mining Warden's Hearing from the overwhelming majority of agents representing the tenement's landowners.

BCL believes the refusal of the EL1 extension was legally and procedurally flawed. To protect the interests of all shareholders, on 25th January 2018, the Company commenced legal proceedings in the PNG National Court seeking a Judicial Review.

On the 10th April, BCL was granted leave by the court to seek the review and the decision to refuse the extension was also stayed. A subsequent court hearing scheduled for 17th May was postponed and a new date has yet to be set.

Accordingly, BCL's application for extension remains undecided and is deemed to have been extended pending any final determination by the courts.

Victorian Supreme Court Proceedings

In a separate, but not totally unrelated matter, BCL has also commenced proceedings in the Supreme Court of Victoria, Australia, seeking the discovery of documents from RTG Mining Inc. and Central Exploration Pty Ltd pertaining to their activities in the tenement area.

A hearing was held between 17th and 21st May 2018 and the matter remains before the court.



Community Engagement

Intensifying community engagement in Bougainville during 2017 was a priority for the Company.

Strong engagement in project areas remains essential to fostering positive relations.

In addition to opening a Buka office, BCL established a senior project team in Bougainville as well as a Village Liaison Officer (VLO) network in Panguna and surrounds.

The increased local presence is proving effective in the exchange of information between local communities and the Company. BCL also intends to open an office in Panguna during this year.

The Company plans to continue its support for community initiatives in areas like education and health and the ABG is receptive to this.

Bougainville Update

BCL remains committed to engaging with the ABG in good faith to advance the redevelopment of Panguna which will benefit Bougainville and its people.

Under the Bougainville Peace Agreement, a referendum on Bougainville's future has been set for June 2019. 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 decision not to grant an extension of EL1.

BCL remains totally committed to supporting the peace process and promoting economic and community development. In this context, the redevelopment of Panguna will support these objectives.

The Board

As mentioned earlier, the board was pleased to hold its first board meeting in Bougainville, at Buka in more than 27 years on 3rd August 2017.

In October the Company announced my (Mel Togolo) appointment to the board along with Peter Graham. As you may be aware, I was born in Bougainville and held several positions with Bougainville's former North Solomons Provincial Government between 1978 and 1990.

Peter Graham also brings extensive resources industry experience and local knowledge, having delivered the PNG LNG project, the nation's largest. He is also the CEO and Managing Director of OTML.

In February, I accepted the board's nomination as chairman, replacing the retiring Robert Burns. Robert was appointed chairman in July 2016, having served as an independent director since 2006.



I would like to take this opportunity, on behalf of the board and management, to acknowledge his outstanding leadership and strategic guidance during what has been an important transition phase for the Company.

Thanks again, Robert.

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 final status of the 17.4% shareholding is yet to be resolved.

1990/91 Landowner Compensation

In December 2015, BCL agreed to settle landowner claims relating to historic land compensation payments from March 1990 to March 1991. This involved 2,123 payments totalling K14.6 million to landowner groups and families.

It is pleasing to confirm that since payments commenced in February 2017, more than 96% have now been made and in doing so BCL re-established important community contacts and built goodwill. BCL continues to work with families to finalise the remaining payments.

Bougainville Copper Foundation

Bougainville Copper Foundation (BCF) is a wholly-owned subsidiary of BCL. It operates as a 'not for profit company' in supporting student sponsorship.

The BCL 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 BCL through a loan account.

Governance

BCL has governance reporting obligations to the Australian Securities Exchange (ASX). A statement on the Company's compliance with the ASX Corporate Governance Principles and Recommendations is contained in the Annual Report.

The Company has developed and complies with a comprehensive set of charters and policies which can be found on the BCL web site. We also formed a Remuneration and Nominations Committee in 2017.



The Board and the Audit and Risk Committee reviews the quality of enterprise risk assessments and monitors the actions arising to mitigate risk.

BCL sets high ethical standards in all its activities.

Health and Safety

BCL places uncompromising emphasis on workplace hazard identification, risk assessment and risk management.

BCL 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 travel planning and incident reporting processes.

Conclusion and Looking Ahead

BCL inevitably faces further notable challenges in the year ahead, including new uncertainty over project tenure.

We are however heartened to retain strong levels of support among customary landowners and other stakeholders. Given the undue influence we believe disruptive third parties have had over the EL1 renewal process, the board firmly believes it is prudent to seek the Judicial Review in the interests of all our shareholders.

At the same time, we remain committed to respectful and constructive engagement with the ABG, PNG National Government, landowners and the Bougainville community more broadly, to build further support and trust in BCL, as the most credible developer of Panguna.

As a company, we know Bougainville extremely well and through our engagement we will work hard to further demonstrate our credentials and importantly that we persist for the right reasons.

New information about company activities are regularly reported to the Australian Securities Exchange and can also be found on our web site.

BCL considers shareholder communication an important element of our operations.

Thank you for your attendance and I'm now happy to answer any questions you may have.

Annual General Meeting

2017



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Overview



Key Milestones

- ✓ Hired Bougainville manager and local project team
- ✓ Opened office in Buka
- ✓ First board meeting in Bougainville in over 27 years
- ✓ New board appointments
- ✓ Settlement of 1990/91 landowner compensation



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Notable Challenges

- Competitors undermining BCL position
- Decision not to grant extension of EL1
- Ongoing court proceedings – Judicial Review
- Mining reservation over tenement area



Financial Results

Year Ended December 31, 2017

- ❑ Loss after tax K7.30m – (budgeted K15.2 m)
- ❑ Income K7.63m – (includes sale of investments)
- ❑ Operating expenses K14.83m – (2016: K11.52m)
- ❑ Company remains debt free



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Liquid and Total Assets

- ☐ Investments K119.02m (Australian listed equities)
- ☐ 'Available for sale assets' – K12.00m
- ☐ Cash and equivalents K2.51m
- ☐ Total assets K136.56m

Tenure – Exploration Licence (EL1)



- Applied for extension **(July 2016)**
- Renewal application obligations met **(January 2017)**
- Mining Warden's Hearing **(December 2017)**
- Decision not to grant extension **(January 2018)**
- Judicial Review process **(Ongoing)**

➤ **Rights held until matter determined**

Community Engagement



❑ Bougainville
Chocolate
Festival

❑ National Boxing
Championships



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Bougainville Update

- ☐ Referendum an increasing focus
- ☐ Maintaining social harmony – factor in EL1 decision
- ☐ The ABG explores economic opportunities
- ☐ Panguna redevelopment can help realise potential
- ☐ BCL committed to positive/constructive engagement

Bougainville Copper Board



- **August 2017:** Landmark board meeting in Bougainville
- **October 2017:** Melchior Togolo and Peter Graham appointed
- **November 2017:** Chairman Robert Burns advises of decision to retire
- **February 2018:** Mr Togolo accepts nomination of Chairman

Shareholding

- ❑ State of PNG and ABG equal largest shareholders (each with 36.4%)
- ❑ PNG Prime Minister proposed to gift 17.4% to Bougainville people
- ❑ Final status of 17.4% yet to be resolved



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1990/91 Landowner Compensation

- ✓ Comprehensive process followed
- ✓ Excellent progress during 2017
- ✓ 2,123 payments totalling K14.6 million to landowners and families
- ✓ 96% of payments now made

Bougainville Copper Foundation (BCF)

- ❑ Wholly-owned subsidiary of BCL
- ❑ Sponsor 15 new students in 2018
- ❑ 34 existing students continuing
- ❑ BCF has limited liquid assets – supported through BCL loan account



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Governance

- ASX compliance statement in Annual Report
- Charters and policies on web site
- Remuneration and Nominations Committee formed

Health and Safety

- Strong emphasis on workplace risk management
 - ie travel planning and incident reporting

Conclusion & Looking Ahead

- ☐ Further challenges ahead
- ☐ Pursue tenure in shareholder interest
- ☐ Committed to constructive engagement
- ☐ Persist for the right reasons
- ✓ **Promote BCL as most credible developer of Panguna**



Shareholder updates will be posted on web site and via ASX

A topographic map of Mexico is shown in the background, with brown and grey contour lines. The map is partially obscured by a large, dark grey triangular shape in the bottom left corner and a large, light grey triangular shape in the top right corner.

Questions