



## **APPENDIX 4E PRELIMINARY FINAL RESULT**

The Board of Bougainville Copper Limited (ASX: BOC) announce the following preliminary final results of the company for the year ended 31 December 2018 together with comparable results for twelve months to 31 December 2017, together with a summary of significant events.

### **Results**

For the year ended 31 December, 2018, the Group recorded a loss of K10.6 million compared to a loss of K7.3 million in the previous year. In 2017 income included K2.4 million realised gains on sales of investments. With the introduction of IFRS9, from 1 January 2018 realised gains for the year of K4.1 million are not recorded in the income statement but through other comprehensive income in Shareholders funds.

During 2018 expenditure continued to be concentrated on tenure issues, stakeholder engagements and delivery of small community projects in the mine affected area. Income from interest and dividend income was comparable with 2017.

<b>Financial Results</b>	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>K'000</b>	<b>K'000</b>
<b><i>Income</i></b>		
Interest and Dividends	4,840	5,238
Exchange Gains (Loss)	(183)	(102)
Realised gain on sale Investments	-	2,397
	<u>4,657</u>	<u>7,533</u>
<b><i>Less Cost and Expenses</i></b>		
General and administrative Expenses	(15,298)	(14,834)
	<u>(15,298)</u>	<u>(14,834)</u>
Net profit/(loss)	<u>(10,641)</u>	<u>(7,301)</u>
Equivalent net profit/(loss in A\$,000)	(4,412)	(2,851)

### **2018 DIVIDEND**

The Directors have not declared a dividend in respect of 2018.

### **BORROWING**

No borrowings were outstanding at year-end.

## **SIGNIFICANT EVENTS**

### **EL1 tenure**

On 16<sup>th</sup> January 2018, Bougainville Copper received formal notice from the Autonomous Bougainville Government (ABG) Mining Registrar of the refusal to grant an extension of the terms of Exploration Licence EL1 (covering the historic Special Mining Lease 1 at Panguna). Bougainville Copper commenced legal action in the PNG National Court and was granted leave on 10<sup>th</sup> April 2018 for a Judicial Review of the renewal application process. A restraining order was granted against the ABG, from giving effect to or relying on the decision to refuse the extension of EL1. Panguna Minerals Limited, a company 50% owned by SMLOLA and 50% by Central Exploration Pty Ltd (a company 70% owned by RTG Mining Inc) was joined to the proceedings on 22<sup>nd</sup> August 2018. Bougainville Copper applied for leave to appeal the joinder decision which was heard on 19<sup>th</sup> February 2019 with a decision reserved to 13<sup>th</sup> -18<sup>th</sup> March 2019.

Bougainville Copper remains confident of our tenement position and believes the court proceedings will uphold our rights.

### **Proposed Mining Law Changes**

In late January of 2019, the ABG introduced three bills into Bougainville's parliament that would result in significant changes to local mining laws if passed. The bills have been met with widespread opposition. The bills have been referred to the Bougainville Legislation Committee for community consultation and are expected to return to parliament for debate in March 2019.

### **Mining Reserve**

On 23<sup>rd</sup> April 2018, the ABG designated a mining reserve (moratorium) over the Panguna mining area for an indefinite period. The mining reservation remains in place but does not apply to Bougainville Copper as the application for renewal of EL1 pre-existed the reservation.

### **Landowner Support**

Bougainville Copper continues to enjoy high levels of support from the wider community and in particular the Customary Land Agents from Panguna. The Company continues to support the Customary Land Agents with their legal challenge over the leadership of the Special Mining Lease Osikaiyang Landowners Association (SMLOLA) and with the formation of a landowner company Panguna Developments Company Ltd (PDC). The chairman of the PDC, whose members comprise "legally appointed block agents and next of kin", has rejected the validity of the SMLOLA.

SMLOLA purportedly held an Annual General Meeting on 21st December 2018 to elect office holders. PDC land agents did not attend. The chairman of PDC also questioned the appropriateness of the SMLOLA election while the legal challenge was ongoing and when the ABG had insisted when imposing the mining reserve that parties do nothing to disturb the referendum process.

SMLOLA is afforded no status under the Bougainville Mining Act 2015 in representing the more than 300 customary landowner agents from the Panguna project area. Nor does the SMLOLA own Panguna mineral rights as asserted by the SMLOLA's so-named developer of choice.



## **Community Projects and Engagement**

The Company maintained a solid presence in Bougainville during 2018 with a dedicated team of Project and Village Liaison officers, who are based in Arawa and Panguna. They work across the project area supporting community initiatives. Bougainville Copper has opened an office at Arawa to complement the existing Buka office. Bougainville Copper supported a range of important community events in Bougainville during 2018, including the official opening of Arawa District Hospital, Bougainville Day, the Bougainville Chocolate Festival and Literacy Week. It also provided funding to assist worthwhile health and education projects, along with vanilla production training, and made contributions towards sport and cultural events.

## **Board**

The composition of the board remained unchanged during 2018, although requests were made to ABG, which owns 36.4% of the Company's shares, to recommend Bougainvillean appointments. In June, executive chairman Melchior Togolo was awarded a knighthood in the 2018 Queen's Birthday Honours List for his services to economic development, particularly in the mining and petroleum sectors and to the community.

## **ABG Relations**

During 2018 Bougainville Copper continued to engage with the ABG, albeit at a more limited level due to the ongoing Judicial Review proceedings. Interactions with senior Bougainville Ministers and the President have also been made more challenging. There has, however, been some good levels of cooperation with ABG departments with respect to Bougainville Copper support for community projects. The directors remain confident that Bougainville Copper presents the best value proposition to redevelop Panguna and are hopeful that the ABG as 36.4% shareholder will re-engage in this respect.

## **STOCK EXCHANGE**

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

## **AUDIT**

This media release is based on accounts that are in the process of being audited.

## **ANNUAL GENERAL MEETING AND ANNUAL REPORT**

The Annual General Meeting of the company is scheduled to be held in Port Moresby at 11.00am on Wednesday 2<sup>nd</sup> May 2019, at a venue yet to be confirmed.

The Annual Report and Notice of Meeting will be mailed to shareholders on or about 1<sup>st</sup> April 2019.

By order of the Board.



Mark W Hitchcock  
**Company Secretary**



# Appendix 4E

## Preliminary final report

Name of entity

BOUGAINVILLE COPPER LIMITED

ABN or equivalent company  
reference

007 497 869

Half yearly  
(tick)

☐

Preliminary  
final (tick)

☒

Financial year ended ('current period')

31/12/2018

### For announcement to the market

K'000

Revenues from ordinary activities	Down	36.61%	to	4,840
Loss from ordinary activities after tax attributable to members	Up	45.75%	to	(10,641)
Loss for the period attributable to members	Up	45.75%	to	(10,641)
Dividends (distributions)	Amount per security	Franked amount per security		
Final dividend	Nil	Nil		
Interim dividend				
Previous corresponding period	Nil	Nil		
Record date for determining entitlements to the dividend.	N/A			

## **Report to Australian Stock Exchange**

The directors of Bougainville Copper Limited announce the following Preliminary final results of the Company for the year ended 31 December 2018 together with comparable results for twelve months to 31 December 2017.

The Bougainville Copper Foundation Limited (BCF) is a fully owned subsidiary of BCL. The balance sheet of BCF is consolidated with BCL as at 31st December 2018 and comparatives for the previous year.

For the year ended 31 December, 2018, the Group recorded a loss of K10.6 million compared to a loss of K7.3 million in the previous year. In 2017 income included K2.4 million realised gains on sales of investments. With the introduction of IFRS9, from 1 January 2018 realised gains for the year of K4.1 million are not recorded in the income statement but are reported by a transfer to retained earnings in Shareholders funds.

During 2018 expenditure continued to be concentrated on tenure issues, stakeholder engagements and delivery of small community projects in the mine affected area. Income from interest and dividend income was comparable with 2017.

### **EL1 tenure**

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## Condensed statement of comprehensive income

	Consolidated current period - K'000	Consolidated Previous corresponding period – K'000
Revenues from ordinary activities	<b>4,840</b>	7,635
Expenses from ordinary activities	<b>(15,481)</b>	(14,936)
Impairment expense	-	-
Share of net profits (losses) of associates and joint venture entities	-	-
<b>Profit (loss) from ordinary activities before tax</b>	<b>(10,641)</b>	(7,301)
Income tax on ordinary activities	-	-
<b>Profit (loss) from ordinary activities after tax</b>	<b>(10,641)</b>	(7,301)
Profit (loss) from extraordinary items after tax	-	-
<b>Net profit (loss)</b>	<b>(10,641)</b>	(7,301)
Net profit (loss) attributable to outside equity interests	-	-
<b>Net profit (loss) for the period attributable to members</b>	<b>(10,641)</b>	(7,301)
<b>Other comprehensive income</b>		
Increase (decrease) in fair value of available-for-sale financial assets	<b>(12,977)</b>	19,679
Total other comprehensive income	<b>(12,977)</b>	19,679
<b>Total comprehensive income for the period</b>	<b>(23,618)</b>	(12,378)

<b>Earnings per security (EPS)</b>	Consolidated current period	Consolidated Previous corresponding Period
Basic EPS	(2.65) toea	(1.82) toea
Diluted EPS	(2.65) toea	(1.82) toea

## Notes to the condensed statement of comprehensive income

### Profit (loss) from ordinary activities attributable to members

	Consolidated current period – K'000	Consolidated Previous corresponding period - K'000
Profit (loss) from ordinary activities after tax	<b>(10,641)</b>	(7,301)
Less (plus) outside equity interests	-	-
<b>Profit (loss) from ordinary activities after tax, attributable to members</b>	<b>(10,641)</b>	(7,301)

### Revenue and expenses from ordinary activities

	Consolidated current period – K'000	Consolidated Previous corresponding period - K'000
Interest revenue	2	28
<i>Other relevant revenue -</i>		
Dividends	4,838	5,210
Foreign exchange gains/(losses)	(183)	(102)
Other income	-	2,397
<i>Details of relevant expenses-</i>		
<i>General and administration expenses –</i>		
Related Party (reimbursement of expenses to related parties salaries, rent etc)	-	-
Other Administrative Expenses	15,298	14,834
Provisions and accruals written back	-	-
Impairment expense	-	-

	Consolidated current period – K'000	Consolidated Previous corresponding period - K'000
Accumulated (losses) at the beginning of the financial period	<b>(335,443)</b>	(328,142)
Net profit (loss) attributable to members	<b>(10,641)</b>	(7,301)
Net transfers from (to) reserves	4,123	-
Net effect of changes in accounting policies	-	-
Dividends and other equity distributions paid or payable	-	-
<b>Accumulated (losses) at end of financial year</b>	<b>(341,961)</b>	(335,443)

### Intangible and extraordinary items

Nil



### Comparison of half year profits

(Preliminary final report only)

Profit (loss) from ordinary activities after tax attributable to members reported for the *1st* half year

Profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year

Profit (loss) from ordinary activities after tax attributable to members for the full year

Consolidated current period - K'000	Consolidated Previous corresponding period - K'000
<b>(7,193)</b>	(4,212)
<b>(3,448)</b>	(3,089)
<b>(10,641)</b>	(7,301)

### Condensed statement of financial position

	Consolidated at end of current period K'000	Consolidated as in last annual report K'000
<b>Current assets</b>		
Cash	1,145	2,512
Receivables	820	636
Available-for-sale financial assets	10,000	12,000
<b>Total current assets</b>	<b>11,965</b>	<b>15,148</b>
<b>Non-current assets</b>		
Available-for-sale financial assets	98,736	119,027
Other property, plant and equipment (net)	1,098	1,553
Other receivables	829	829
<b>Total non-current assets</b>	<b>100,663</b>	<b>121,409</b>
<b>Total assets</b>	<b>112,628</b>	<b>136,557</b>
<b>Current liabilities</b>		
Provisions	1,952	2,269
Payables	1,421	1,418
<b>Total current liabilities</b>	<b>3,373</b>	<b>3,687</b>
<b>Non-current liabilities</b>		
Payables	194	194
Tax liabilities	6,759	6,759
Provisions	135	132
<b>Total non-current liabilities</b>	<b>7,088</b>	<b>7,085</b>
<b>Total liabilities</b>	<b>10,461</b>	<b>10,772</b>
<b>Net assets</b>	<b>102,167</b>	<b>125,785</b>
<b>Equity</b>		
Capital/contributed equity	401,063	401,063
Reserves	43,065	60,165
Accumulated losses	(341,961)	(335,443)
<b>Equity attributable to members of the parent entity</b>	<b>102,167</b>	<b>125,785</b>
Outside <sup>+</sup> equity interests in controlled entities	-	-
<b>Total equity</b>	<b>102,167</b>	<b>125,785</b>

## Notes to the condensed statement of financial position

### Condensed Statement of Changes in Equity

		Contributed Equity K'000	Reserves K'000	Retained Profits K'000	Total K'000
21.1	Balance at 31 December 2016	401,063	40,486	(328,142)	113,407
21.2	Total comprehensive income for the period	-	9,515	(4,212)	5,303
21.3	Balance at 30 June 2017	401,063	50,001	(332,354)	118,710
21.4	Total comprehensive income for the period	-	10,164	(3,089)	7,075
21.5	Balance at 31 December 2017	401,063	60,165	(335,443)	125,785
21.6	Total comprehensive income for the period	-	(7,215)	(7,193)	(14,408)
21.7	Transfer to retained earnings on sale of investments	-	(2,569)	2,569	-
21.8	Balance at 30 June 2018	401,063	50,381	(340,067)	111,377
21.9	Total comprehensive income for the period	-	(5,762)	(3,448)	(9,210)
21.10	Transfer to retained earnings on sale of investments	-	(1,554)	1,554	-
21.11	Balance at 31 December 2018	401,063	43,065	(341,961)	102,167

### Exploration and evaluation expenditure capitalised

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

Nil

### Development properties

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

Nil

## Condensed statement of cash flows

	Consolidated current period K'000	Consolidated Previous corresponding period - K'000
<b>Cash flows related to operating activities</b>		
Receipts from customers		-
Payments to suppliers and employees	(15,212)	(26,708)
Dividends received from associates		-
Other dividends received (net of dividends reinvested)	4,838	5,210
Interest and other items of similar nature received	2	26
Interest and other costs of finance paid		-
Income taxes paid		-
<b>Net operating cash flows</b>	<b>(10,372)</b>	<b>(21,472)</b>
<b>Cash flows related to investing activities</b>		
Payment for purchases of property, plant and equipment	(126)	(722)
Proceeds from disposal of available-for-sale financial assets	9,314	5,526
Payment for purchases of equity investments	-	-
Payment for Acquisition of subsidiary, net of cash acquired	-	-
Loans to other entities	-	-
Loans repaid by other entities	-	-
Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>9,188</b>	<b>4,804</b>
<b>Cash flows related to financing activities</b>		
Proceeds from issues of securities (shares, options, etc.)	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Dividends paid	-	-
Other	-	-
<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,184)</b>	<b>(16,668)</b>
Cash at beginning of period	2,512	19,283
Exchange rate adjustments	(183)	(103)
<b>Cash at end of period</b>	<b>1,145</b>	<b>2,512</b>

### Non-cash financing and investing activities

Not applicable

### Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Consolidated current period K'000	Previous corresponding period - K'000
Cash on hand and at bank	1,145	2,512
Deposits at call	-	-
Bank overdraft	-	-
Other –Short term liquid investments	-	-
<b>Total cash at end of period</b>	<b>1,145</b>	<b>2,512</b>

### Other notes to the condensed financial statements

#### Ratios

	Consolidated current period	Previous corresponding Period
<b>Profit before tax / revenue</b> Profit (loss) from ordinary activities before tax as a percentage of revenue	(219.86%)	(95.63%)
<b>Profit after tax / equity interests</b> Net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(10.42%)	(5.80%)

### Earnings per security (EPS)

Consolidated current year **(2.65)** toea  
Consolidated Previous year **(1.82)** toea  
Diluted EPS is the same as Basic EPS

#### NTA backing

	Consolidated current period	Previous corresponding period
Net tangible asset backing per <sup>+</sup> ordinary security	K0.2547	K0.3136

### Discontinuing Operations

Not applicable

### Control gained over entities having material effect

Not applicable

### Loss of control of entities having material effect

Not applicable

## **Dividends (in the case of a trust, distributions)**

### **Amount per security**

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

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

(Preliminary final report only)

+Ordinary securities

Preference +securities

Current year	Previous year
Nil	Nil
Nil	Nil

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

+Ordinary securities *(each class separately)*

Preference +securities *(each class separately)*

Other equity instruments *(each class separately)*

**Total**

Current period K'000	Previous corresponding period - K'000
Nil	Nil
Nil	Nil
Nil	Nil
<b>Nil</b>	<b>Nil</b>

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

Not applicable

### **Material interests in entities which are not controlled entities**

Not applicable.

### **Issued and quoted securities at end of current period**

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

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

## Comments by Directors

### Basis of financial report preparation

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

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

The BMA 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. Leave was granted on 10<sup>th</sup> April 2018. A restraining order was granted against the ABG, from giving effect to or relying on the decision to refuse the application by BCL for extension of EL1.

Panguna Minerals Limited, a company 50% owned by SMLOLA and 50% by Central Exploration Pty Ltd (a company 70% owned by RTG Mining Inc) was joined to the proceedings on 22nd August 2018. BCL applied for leave to appeal the joinder decision which was heard on 19th February 2019 with a decision was reserved to 13th -18th March 2019.

BCL remains confident of our tenement position and believe the court proceedings will uphold our rights.

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 tenure in Bougainville.

2. On 24 November 2016, the Company acquired a subsidiary (Bougainville Copper Foundation Limited). The subsidiary holds an investment in an unlisted investment fund. The investment is classified as an available-for sale asset with a carrying value of K1.1 million.

Management have not been provided with the 2017 and 2018 audited financial statements of the investee and the investee is unable to confirm the value of units held by the various investors.

Accordingly, the Company has been unable to determine the fair value of the investment and accordingly whether the carrying value of the investment of K1.1 million is fairly stated.

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

Nil

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

Nil

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

IFRS 9 replaces the provisions of IAS39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information.

On the date of initial application of IFRS 9, BCL classified its financial assets comprising equity investments as those to be measured subsequently at fair value through other comprehensive income (OCI). Measurement of the equity investments at fair value and the recognition of fair value gains or losses through OCI is consistent with BCL's existing policies. On disposal of investments, cumulative gains and losses were reclassified from reserves to profit or loss on disposal of the investments.

Dividends from such investments continue to be recognised in profit or loss as other income when BCL's right to receive payments is established.

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

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

The company has made provision for statutory compensation for the 1990 year of operation, inclusive of interest. Payments commenced in February 2017 and 97.9% (86.5% 2017) had been paid up to 31 December 2018.

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.



## Additional disclosure for trusts

Not applicable

## Audit

This report is based on accounts which are in the process of being audited.

## Annual meeting

*(Preliminary final report only)*

The annual meeting will be held as follows:

Place

Port Moresby Papua New Guinea
2 May 2019
11.00am
1 April 2019

Date

Time

Approximate date the annual report will be available

## Compliance statement

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

Identify other standards used

International Financial Reporting Standards
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- 2) This report, and the accounts upon which the report is based, use the same accounting policies.
- 3) The directors are able to declare that the financial report comprising Appendix 4E to the Australian Stock Exchange for the year ended 31 December 2018:
- complies with International Financial Reporting Standards and the Australian Stock Exchange Listing Rules and
  - gives a true and fair view of the entity's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date;

Except that the results for the company for the financial year 31 December 2018 and the financial position at the date were impacted by the following events of a material and unusual nature.

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

The BMA 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. Leave was granted on 10<sup>th</sup> April 2018. A restraining order was granted against the ABG, from giving effect to or relying on the decision to refuse the application by BCL for extension of EL1.

Panguna Minerals Limited, a company 50% owned by SMLOLA and 50% by Central Exploration Pty Ltd (a company 70% owned by RTG Mining Inc) was joined to the proceedings on 22nd August 2018. BCL applied for leave to appeal the joinder decision which was heard on 19th February 2019 with a decision was reserved to 13th -18th March 2019.

BCL remains confident of our tenement position and believe the court proceedings will uphold our rights.

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 tenure in Bougainville.

2. On 24 November 2016, the Company acquired a subsidiary (Bougainville Copper Foundation Limited). The subsidiary holds an investment in an unlisted investment fund. The investment is classified as an available-for sale asset with a carrying value of K1.1 million.

Management have not been provided with the 2017 and 2018 audited financial statements of the investee and the investee is unable to confirm the value of units held by the various investors.

Accordingly, the Company has been unable to determine the fair value of the investment and accordingly whether the carrying value of the investment of K1.1 million is fairly stated.

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

Sign here:  ..... Date: 28 February 2019  
(Company Secretary)

Print name: **Mark Hitchcock**