BOUGAINVILLE COPPER LIMITED
INCORPORATED IN PAPUA NEW GUINEA ARBN 007 497 869
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Press Release

26 February 2014

BOUGAINVILLE COPPER LIMITED

The directors of Bougainville Copper Limited announce the following audited results of the company for the year ended 31 December 2013 together with comparable results for twelve months to 31 December 2012.

Results

For the year ended December 31 2013, a profit of K6.8 million has been recorded, compared to a planned loss of K10.4 million. The result comes after a write-back of a provision of K8 million. Income from interest and realised gains on disposal of investments were above budget, with administration and project costs being under budget.

Financial Results

	2013 K'000	2012 K'000
Realised gain on disposal of investments	4,647	657
Exchange gains	494	-
Interest	832	820
Dividends	3,959	4,674
	9,932	6,151
Less:		
General and administration expenses	(11,314)	(11,348)
Exchange Losses	-	(227)
Write-back of provision	8,160	-
	(3,154)	(11,575)
Profit/(Loss) before taxation	6,778	(5,424)
Income tax expense	-	-
Net profit /(loss)	6,778	(5,424)
Equivalent net profit/(loss) in A$'000	3,026	(2,569)

The historic visit in January 2014 to previous no-go areas on mainland Bougainville by PNG Prime Minister Peter O'Neill, the first by a serving Prime Minister in fifteen years, has generated a wave of conciliatory sentiment among many stakeholder groupings previously unwilling to declare an end to long held hostilities.

The Prime Minister visited Buka, Buin, Siwai, Arawa and the Panguna heartland of the Bougainville independence movement, generally receiving an enthusiastic welcome.

Bougainville Copper Limited is encouraged by this new spirit of engagement, as it enters a year in which planned reconciliation ceremonies should see it re-establishing an administrative presence at Arawa, to launch and manage studies aimed at assessing bio-remediation needs, community development programs, social mapping, asset revaluation and de-risking.

Positive dialogue between stakeholders including the Autonomous Bougainville Government (ABG), the National Government of PNG, landowners, Bougainville communities, ex-combatants and BCL continues to advance the prospect of re-opening the mine.

Following the Prime Ministerial visit, ABG President John Momis re-affirmed the high priority that the ABG places on a re-start of operations at Panguna.

The company continues to evaluate the findings of the "2012 Order of Magnitude Study".

The emerging results of this study broadly indicate that it would be economically viable to redevelop the Panguna mine. Further commentary on developments in both the political and fiscal environment surrounding the project is scheduled for the 2014 Annual General Meeting in May.

Further studies, including pre-feasibility and bankable feasibility, will be necessary before any decision on redevelopment of the Panguna mine can be made. It is not intended to undertake further major studies until consultations with governments, landowners and other stakeholders result in broad support for redevelopment.

2013 DIVIDEND

The Directors have not declared a dividend in respect of 2013.

BORROWING

No borrowings were outstanding at year-end.

ANNUAL GENERAL MEETING AND ANNUAL REPORT

The Annual General Meeting of the company will be held at the Grand Papua Hotel, Port Moresby at 2.00pm on Tuesday 6th, May, 2014.

The Annual Report and Notice of Meeting will be mailed to shareholders on or about 04 April, 2014.

STOCK EXCHANGE

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

By order of the Board.

PAUL D COLEMAN
Company Secretary

Rules 4.1, 4.3

Appendix 4E

Preliminary final report

Name of entity

BOUGAINVILLE COPPER LIMITED

ABN or equivalent company reference	Half yearly *(tick)*	Preliminary final *(tick)*	Financial year ended ('current period')
007 497 869		√	31/12/13

For announcement to the market

				K'000
Revenues from ordinary activities	up	61.47%	to	9,932
Profit from ordinary activities after tax attributable to members	up	226.94%	to	6,778
Profit (loss) from extraordinary items after tax attributable to members		-		-
Profit for the period attributable to members	up	226.94%	to	6,778

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

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

Condensed statement of comprehensive income

	Current period - K'000	Previous corresponding period - K'000
Revenues from ordinary activities	**9,932**	**6,151**
Expenses from ordinary activities	**(3,154)**	**(11,575)**
Borrowing costs	-	-
Share of net profits (losses) of associates and joint venture entities	-	-
Profit (loss) from ordinary activities before tax	**6,778**	**(5,424)**
Income tax on ordinary activities	-	-
Profit (loss) from ordinary activities after tax	**6,778**	**(5,424)**
Profit (loss) from extraordinary items after tax	-	-
Net profit (loss)	**6,778**	**(5,424)**
Net profit (loss) attributable to outside equity interests	-	-
Net profit (loss) for the period attributable to members	**6,778**	**(5,424)**
Other comprehensive income		
Increase (decrease) in revaluation reserves	-	-
Net exchange differences recognised in equity		
Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
Increase (decrease) in fair value of available-for-sale financial assets	**20,354**	**17,586**
Total other comprehensive income	**20,354**	**17,586**
Total comprehensive income for the period	**27,132**	**12,162**

Earnings per security (EPS)	Current period	Previous corresponding period
Basic EPS	1.6900 toea	(1.352) toea
Diluted EPS	1.6900 toea	(1.352) toea

Notes to the condensed statement of comprehensive income

Profit (loss) from ordinary activities attributable to members

	Current period – K'000	Previous corresponding period - K'000
Profit (loss) from ordinary activities after tax	6,778	(5,424)
Less (plus) outside equity interests	-	-
Profit (loss) from ordinary activities after tax, attributable to members	**6,778**	**(5,424)**

Revenue and expenses from ordinary activities

	Current period – K'000	Previous corresponding period - K'000
Revenue from sales or services	-	-
Interest revenue	832	820
Other relevant revenue -		
Dividends	3,959	4,674
Gain on disposal of investments	4,647	657
Foreign exchange gains	494	-
Details of relevant expenses-General and administration expenses –		
Exchange losses	-	227
Related Party (reimbursement of expenses to related parties salaries, rent etc)	4,653	4,811
Other Administrative Expenses	6,661	6,537
Provision written back	(8,160)	-
Depreciation and amortisation excluding amortisation of intangibles	-	-

Accumulated losses

	Current period – K'000	Previous corresponding period - K'000
Accumulated losses) at the beginning of the financial period	(117,531)	(112,107)
Net profit (loss) attributable to members	6,778	(5,424)
Net transfers from (to) reserves	-	-
Net effect of changes in accounting policies	-	-
Dividends and other equity distributions paid or payable	-	-
Accumulated losses at end of financial year	**(110,753)**	**(117,531)**

Intangible and extraordinary items
Nil

Comparison of half year profits
(Preliminary final report only)

	Current period - K'000	Previous corresponding period - K'000
Profit (loss) from ordinary activities after tax attributable to members reported for the *1st* half year	1,120	(3,259)
Profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year	5,658	(2,165)

Condensed statement of financial position	At end of current period K'000	As shown in last annual report K'000	As in last half yearly report K'000
Current assets			
Cash	13,553	1,387	15,121
Receivables	69,950	69,226	70,182
Investments	-	-	-
Inventories	-	-	-
Tax assets	-	-	-
Other –Held-to-maturity financial assets	-	-	-
Total current assets	**83,503**	**70,613**	**85,303**
Non-current assets			
Receivables	3,909	3,909	3,909
Investments (equity accounted)	-	-	-
Available-for-sale financial assets	105,396	99,895	83,939
Inventories	-	-	-
Exploration and evaluation expenditure capitalised *(see para .71 of AASB 1022)*	-	-	-
Development properties (+mining entities)	-	-	-
Other property, plant and equipment (net)	547,894	547,894	547,894
Intangibles (net)	-	-	-
Tax assets	-	-	-
Other – General Provisions	(350,000)	(350,000)	(350,000)
Total non-current assets	**307,199**	**301,698**	**285,742**
Total assets	**390,702**	**372,311**	**371,045**
Current liabilities			
Payables	3,720	4,301	3,019
Interest bearing liabilities	-	-	-
Tax liabilities	-	-	-
Provisions	-	-	-
Other (provide details if material)	-	-	-
Total current liabilities	**3,720**	**4,301**	**3,019**
Non-current liabilities			
Payables	4,517	4,517	4,517
Interest bearing liabilities	-	-	-
Tax liabilities	6,759	6,759	6,759
Provision for compensation	13,913	22,073	22,073
Other (provide details if material)	-	-	-
Total non-current liabilities	**25,189**	**33,349**	**33,349**
Total liabilities	**28,909**	**37,650**	**36,368**
Net assets	**361,793**	**334,661**	**334,677**

Condensed statement of financial position continued

Equity			
Capital/contributed equity	401,063	401,063	401,063
Reserves	71,483	51,129	50,025
Accumulated losses	(110,753)	(117,531)	(116,411)
Equity attributable to members of the parent entity	**361,793**	**334,661**	**334,677**
Outside +equity interests in controlled entities	-	-	-
Total equity	**361,793**	**334,661**	**334,677**

Notes to the condensed statement of financial position

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

	Current period K'000	Previous corresponding period - K'000
Cash flows related to operating activities		
Receipts from customers	-	-
Payments to suppliers and employees	(11,970)	(18,270)
Dividends received from associates	-	-
Other dividends received	3,959	4,674
Interest and other items of similar nature received	183	122
Interest and other costs of finance paid		
Income taxes paid	-	-
Other – Monies paid to the Supreme Court	-	-
Net operating cash flows	**(7,828)**	**(13,474)**
Cash flows related to investing activities		
Payment for purchases of property, plant and equipment	-	-
Proceeds from disposal of available-for-sale financial assets	19,500	8,594
Payment for purchases of equity investments	-	-
(Purchase)/Proceeds of held-to-maturity investments	-	-

Loans to other entities	-	-
Loans repaid by other entities	-	-
Other (provide details if material)	-	-
Net investing cash flows	**19,500 -**	**8,594 -**
Cash flows related to financing activities		
Proceeds from issues of securities (shares, options, etc.)	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Dividends paid	-	-
Other	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	11,672	(4,880)
Cash at beginning of period	1,387	6,494
Exchange rate adjustments	494	(227)
Cash at end of period	13,553	1,387

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.	Current period K'000	Previous corresponding period - K'000
Cash on hand and at bank	13,553	1,387
Deposits at call	-	-
Bank overdraft	-	-
Other –Short term liquid investments	-	-
Total cash at end of period	**13,553**	**1,387**

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding period
Profit before tax / revenue Profit (loss) from ordinary activities before tax as a percentage of revenue	68.24 %	(88.18%)

Profit after tax / equity interests Net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	1.87 %	(1.62%)

Earnings per security (EPS)

Current year 1.6900 toea
Previous year (1.352) toea
Diluted EPS is the same as Basic EPS

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per +ordinary security	K0.9021	K0.8344

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)

Not applicable

Amount per security

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

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

(Preliminary final report only)

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

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

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

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

Not applicable

Material interests in entities which are not controlled entities

Not applicable

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

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

(Preliminary final report only)

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

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

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

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

Not applicable

Material interests in entities which are not controlled entities

Not applicable

Issued and quoted securities at end of current period

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

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

Basis of financial report preparation

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.

1.(a) Basis of Preparation

The financial statements of Bougainville Copper Limited 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 the accounting policy note on significant risks and uncertainties.

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

1.(b) Accounting Policies

Mine Assets:

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

As a consequence of cessation of mining activities in 1989, an impairment loss of K350 million was made for deterioration, damage or pilferage of company assets on Bougainville. The accuracy of that provision cannot be proved because the lack of access to Bougainville prevents a detailed assessment of the nature or extent of those losses. No depreciation charge or increase to the impairment loss has been made since 1991. The Directors consider that any further review of the impairment loss at this time would be completely arbitrary because of the continuing lack of access to the mine.

***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 bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

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

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

Foreign Currency Translation:

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and translation at year end exchange rates of monetary assets and liabilities determined in foreign currencies are recognised in the income statement.

Provisions:

Provisions for compensation, rehabilitation and stabilisation are 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 12 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 the income statement. 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.

(ii) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These are measured at cost with accrued interest included in other receivables.

Impairment of investments

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

(i) Assets carried at cost
For loans and receivables, the amount of loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using observable market price.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of he 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 statement of comprehensive income, the impairment loss is reversed through 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 12 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, probably 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 statement of comprehensive income within other expense. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expense in the statement of comprehensive income.

Impairment of other assets

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

Revenue Recognition:

Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

1.(c) Critical Accounting Estimates and Assumptions

(i) Carrying Value of Mine Assets

Mine production was suspended on 15 May 1989 because of attacks on employees. Following repeated instances of damage to mine facilities and the power line and further attacks on employees, it became necessary to evacuate all remaining company personnel from Bougainville early in 1990. There continues to be uncertainty surrounding the future of the Panguna mine. Since the withdrawal of company personnel from Bougainville was completed on 24 March 1990, there has been no care and maintenance of the company's assets. Considerable deterioration of the assets has 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 is not capable of reliable measurement or estimation.

With the passage of time, it is clear that a major write-down of assets from their pre-closure levels will be required. To allow for this future write-down, the directors made a impairment loss in 1991 for deterioration, damage and pilferage of K350 million, with this sum being classified as an extraordinary item.
The exact quantum of this provision should not be viewed as a precise calculation reflecting an accurate estimate of the present value of losses or likely costs of repair. Rather, the reduction in

carrying value should be seen as a broad estimate of the total service potential likely to have been lost to the operation in respect of the whole inventory of assets carried in the books.

While directors have made this provision in good faith based on the limited information available to them, it must be recognised that the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company representatives is again possible. Accordingly, the 1991 provision may eventually prove to be above or below the sum that is necessary to reflect these losses. The directors believe that in the absence of reliable information and the lack of a more suitable alternative, this is the only appropriate basis to use.

(ii) Income Taxes

The PNG Internal Revenue Commission (IRC) has disallowed BCL's claimed tax depreciation on its Bougainville Assets on the grounds that BCL lost/surrendered control of its assets in 1990, and therefore the assets should have been totally depreciated in that year and that the availability of depreciation to offset against BCL's investment income has lapsed through the passage of time. The IRC has issued assessments on that basis. BCL's objections to the assessments were rejected by the IRC and BCL has appealed to the National Court. A hearing date is yet to be set. Our advisors and senior Australian counsel have advised there are good arguments in support of BCL on this matter and have a better than average chance of succeeding against the IRC.

Bougainville Copper has paid, in previous years, sums totalling K61.8 million to the IRC or the Supreme Court pending resolution of the substantive tax appeals. Including interest the amount now totals K65.4 million.

The company believes that its position is supportable and the amounts paid, together with the related accrued interest, are recoverable. Meanwhile the substantive appeal against the tax assessment is pending. In the event the IRC is successful, the impact would be a write off of monies paid to date to the IRC/Supreme Court and accrued interest and recognition of any other liability arising from the Court's decision which may result in a significant loss to Bougainville Copper. In the event Bougainville Copper is successful, the impact would be a return of the monies paid to the IRC/Supreme Court together with accrued interest which are carried as current receivables by the company.

Except as is noted there were no significant changes in the state of affairs of the company during the year.

1(d) Rounding of Amounts

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

1(e) Capital Risk Management

The Company'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.

1(f)

(i) The following new standards and amendments were applicable for the first time during the accounting period beginning 1 January 2013:

- Amendment to IAS 1, 'Financial statement presentation' (effective 1 July 2012) regarding other comprehensive income requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not effect the measurement of any items recognised in the balance sheet or profit and loss in the current period.
- Amendments to IAS 19, 'Employee benefits' (effective 1 January 2013) require the recognition

of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. The entity does not have a defined benefit pension scheme.

- IFRS 13, 'Fair value measurement' (effective 1 January 2013) aims to improve the consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The entity does not use fair value measurement extensively and it is unlikely the new rules will have a significant impact on any amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.
- Amendment to IFRS 7, 'Financial instruments: Disclosures' on offsetting financial assets and financial liabilities (effective 1 January 2013) enhance current offsetting disclosures. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements, but will require a number of additional disclosures in relation to those arrangements.
- Amendment to IFRS 1, 'First time adoption', on government loans (effective 1 January 2013) is not relevant to the entity.
- Annual improvements 2011 (effective 1 January 2013) include minor changes to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. The entity does not expect that any adjustments will be necessary as of result of applying the revised rules.

(ii) The following standards, amendments and interpretations to existing standards have been published and are mandatory for the entity's accounting periods beginning on or after 1 January 2014 or later periods, but the entity has not early adopted them:

- IFRS 9, 'Financial Instruments' (effective date is open) is the first phase of replacing IAS 39, 'Financial Instrument" 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. The standard is not expected to change the entity's existing accounting policy for its financial assets and liabilities. IASB has also amended IFRS 9 to allow entities to early adopt the requirement to recognise in OCI the changes in fair value attributable to changes in an entity's own credit risk (from financial liabilities that are designated under the fair value option). This can be applied without having to adopt the remainder of IFRS 9.
- Narrow scope amendments to IAS 36 "Impairment of assets" (effective 1 January 2014) address the disclosure of information about the recoverable amount impaired assets if that amount is based on fair value less costs of disposal. The entity has no such impaired assets.
- Amendments to IAS 32, "Financial Instrument: Presentation" (effective 1 January 2014). These amendments are to the application guidance in IAS 32 and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance Sheet.
- Amendment to IAS 39, Financial instruments: Recognition and measurement, amendment in relation to "novation of derivatives" (effective 1 January 2014). This amendment provides relief from discontinued hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.
- IFRIC 21 "Levies". This is an interpretation to IAS 37, "provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have present obligation as a result of past event (known as obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Annual improvements 2012 (effective 1 July 2014) makes minor changes to IFRS 2, IFRS3, IFRS 8, IFRS 13, IAS 16, IAS 37 and IAS 39..

- Annual improvements 2013 (effective 1 July 2014) makes minor changes to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The entity has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the entity.

1.(g) ***Earnings per share***

Basic 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.

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	Grand Papua Hotel, Mary Street, Port Moresby Papua New Guinea
Date	6 May 2014
Time	2.00pm
Approximate date the +annual report will be available	4 April 2014

Condensed Statement of Changes in Equity

	Contributed	Reserves	Retained	Total

		Equity K’000	K’000	Profits K’000	K’000
21.1	Balance at 1 January 2011	401,063	72,094	(108,434)	364,723
21.2	Total comprehensive income for the period	-	(17,931)	(3,779)	(21,710)
21.3	Balance at 30 June 2011	401,063	54,163	(112,213)	343,013
21.4	Total comprehensive income for the period	-	(20,620)	106	(20,514)
21.5	Balance at 31 December 2011	401,063	33,543	(112,107)	322,499
21.6	Total comprehensive income for the period	-	(2,503)	(3,259)	(5,762)
21.7	Balance at 30 June 2012	401,063	31,404	(115,366)	316,737
21.8	Total comprehensive income for the period	-	20,089	(2,165)	17,924
21.9	Balance at 31 December 2012	401,063	51,129	(117,531)	334,661
21.10	Total comprehensive income for the period	-	(1,104)	1,120	16
21.11	Balance at 30 June 2013	401,063	50,025	(116,411)	334,677
21.12	Total comprehensive Income for the period	-	21,458	5,658	27,116
21.13	Balance at 31 December 2013	401,063	71,483	(110,753)	361,793

Compliance statement

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

This report, and the accounts upon which the report is based, use the same accounting policies as described above.

The directors are able to declare that the financial report comprising Appendix 4E to the Australian Stock Exchange for the year ended 31 December 2013:

a.) complies with International Financial Reporting Standards and the Australian Stock Exchange Listing Rules and

b.) gives a true and fair view of the entity's financial position as at 31 December 2013 and of its performance, as represented by the results of its operations and it's cash flows for the year ended on that date;

except that the results of the company for the twelve months ended 31 December 2013 have been in the opinion of the directors, substantially affected by events of a material and unusual nature. The financial report has been prepared with the inclusion of the company's mine assets at their 1 January 1991 book value, with a separate general provision of K350 million having been made in 1991 for the value of the indeterminate level of deterioration, damage and pilferage of assets which has occurred in the period since the withdrawal of company personnel from Bougainville in early 1990. While the directors have made this impairment provision in good faith based on the limited information available to them, it must be recognised that the actual extent of the necessary write-downs can only be established when access to the mine site by appropriate company representatives is again possible. Accordingly, the 1991 provision may eventually prove to be above or below the sum which is necessary to reflect these losses. The directors believe that in the absence of reliable information and the lack of a more suitable alternative, this is the only appropriate basis to use, despite the current cessation of operations.

The entity has a formally constituted audit committee

Sign here: .... Date: 25 February 2014
(~~Director~~/Company Secretary)

Print name: **Paul Derek Coleman**