



# BOUGAINVILLE COPPER LIMITED

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## **BCL Annual General Meeting                      8 May 2008**

The attached questions and answers were put the Annual General Meeting of the Company held on the 8 May 2008 in Port Moresby, Papua New Guinea by the European Shareholders of Bougainville Copper



## Bougainville Copper Limited

### Questions in writing for the Annual General Meeting 8 May 2008

- 1) **QUESTION:**  
During the 2007 AGM Peter Taylor announced a 3-year plan for the re-opening of the Panguna Mine. Given today's status Quo, is everything pretty much in line with the assumptions and plans made by the company back then or do you see things moving slower or maybe even faster than anticipated?

For the sake of more clarity and visibility of the process, the ESBC would be grateful to be receive more detailed information on which steps the company will undertake going forward in the pursuit of finally re-opening of the mine.

#### **ANSWER:**

Dialogue has been continuing with all stakeholders and the reconciliation process is ongoing. The Autonomous Bougainville Government (ABG) and the National Government have signed a memorandum of understanding that includes agreement to address the Bougainville Copper Agreement

As part of the 3 year plan BCL is undertaking an order of magnitude study to address the technical and financial viability of a future mining operation. The Chairman's presentation at the annual general meeting provides more information of this study. Notwithstanding the progress of the plan, however, it is important to note that no decision has been made to re-open the mine.

- 2) **QUESTION:**  
What are your current estimations in terms of the costs for re-opening the mine? Regardless of the final figure, how would the company finance the required investment? Can you already tell us if you consider using the credit markets or rather issue new shares to raise the cash?

**ANSWER:**

The current studies being undertaken will give us a better understanding of the likely cost of re-opening the mine for a range of production levels, were a decision be made to do so. No decision has been made on redevelopment financing but at the appropriate time the full range of financing options will be studied.

- 3) **QUESTION:**  
The ESBC would like to ask the Board to further intensify its IR and general PR. The European shareholders would also like to suggest an improved information service run by the company, such as a newsletter service to all registered people which could be made available via the company's website. Overall, it is the ESBC's impression that as of today the company could improve its communication by communicating more pro-actively and by also updating more regularly the markets about the progress of the 3-year plan.

**ANSWER:**

In the past year the Board has appointed a media consultant to assist with public relations and the dissemination of information.

The company is obliged to comply with the Australian Stock Exchange (ASX) listing rules which govern how and what information the company can disseminate. Under the "Continuous Disclosure" requirements the company lodges significant announcements with the ASX and the ASX is linked to the company web site.

- 4) **QUESTION:**  
The local press recently reported on the disposal of scrap from the Panguna mine area. Could you please comment if this happened on behalf of the company or if this activity represented an illegal action by local people living in the area.

**ANSWER:**

The company has taken direct intervention where possible and legal action on a number of occasions over the past few years to prevent the theft and unauthorised sale of its property.

The company has agreed to the sale of scrap, in conjunction with local groups, on the understanding the proceeds will be used for community work and in particular assist with reconciliation efforts.

- 5) **QUESTION:**  
What is the Board's position on how the illegal digging for gold and other minerals in the Panguna mine area can be stopped and also how -once mining has officially been resumed by BCL- the environmental damages caused by the use of Quicksilver can be reduced?

**ANSWER:**

The Board's main concern is for the environment and the safety of the people involved but without access to the area the company cannot assess the situation or takes steps to mitigate problems.

- 6) **QUESTION:**  
Could you please let us know if the company has a "master plan" of how the company will remedy all the environmental damages that resulted from the operation of the Panguna mine prior to its closure in 1989? How are you going to address these environmental issues? Have you already conducted discussions and studies on a "best practice" solution with companies specialised in this area of business? What is the current cost estimate for all actions needed in this context? Are these costs included in the 1 to 1.5b USD estimate for the re-opening of the mine, with this 1 – 1.5 billion USD the figure most often rumoured to be the cost of re-opening the Panguna mine.

**ANSWER:**

I have made it publicly known over a number of years that the company would like to undertake an environmental and safety audit of the mine site. Such an audit is be an essential pre-requisite to future on-site development activities. The company has not been permitted access for this or any other purpose.

In studies currently being planned will look at "best practice" environment options and landowners and government agencies will be consulted to determine what their preferred outcomes are.

7) **QUESTION:**

Has BCL secured the availability of all the equipment needed for the re-opening and operation of the mine? Do contracts/letter of intents with manufacturers already exist? Would Rio Tinto be in the position to make all required equipment available in time for the re-opening?

**ANSWER:**

BCL has not secured any new equipment that might be needed to reopen the mine. At this stage it does not know what equipment it might need. There is a lot of work to be done on establishing the optimum mine plan. There is also the need to consult extensively with landowners and regulators once mine plan options have been developed.

I cannot speak for Rio Tinto or any other shareholder.

8) **QUESTION:**

The World Bank has made it clear that it is in their interest to support the development in the region. Have there been talks between BCL and the World Bank? If so, what has been discussed and have agreements been made that you could let us know about, today?

**ANSWER:**

BCL and the World Bank consult from time to time on a range of matters but there are no agreements between the Bank and BCL.

- 9) **QUESTION:**  
Has the Board considered to purchase the Panguna area from the landowners and to establish a free-trade zone within it?

**ANSWER:**

**No.**

- 10) **QUESTION:**  
Provided that the objective of the re-opening of the Panguna mine cannot be achieved within the next 2 years, does the Board have plans to make use of the other licenses held by the company and to open another mine on the Island, for example in the Atamo area?

**ANSWER:**

The three year plan does not envisage the mine will open during its term. There are many matters to be agreed with landowners and Governments before even the planning stage can be completed.

Any "Greenfield" development on yet to be explored tenements is likely to take even longer. There is currently a moratorium on new exploration on Bougainville so no new development is currently possible.

- 11) **QUESTION:**  
If the re-opening of the Panguna mine is unlikely in the foreseeable future and if new mines are also not a feasible option in the next few years, would the company consider selling the mining licenses it currently holds?

Has the Board been recently approached by third parties showing in interest in buying some or all of the BCL licenses? If so, can you please let us know which price has been offered?

**ANSWER:**

The Board has no plans to sell its Bougainville tenements.

There have been no recent approaches from third parties wanting to buy the leases.

12) **QUESTION:**

With the ongoing uncertainties and challenges in the political and infrastructural landscape of Bougainville, wouldn't it make sense for the company to consider starting mining activities in other parts of the world such as South America, Australia, Africa or even PNG?

We at the ESBC believe that the company's sole focus on Bougainville makes it unnecessarily vulnerable toward adverse impacts of those people opposing mining on the island of Bougainville. We would like the Board to elaborate on plans to invest in other parts of the world in order to secure the company's future and to create sustainable and more reliable and predictable shareholder value.

**ANSWER:**

The company was set up to mine the Panguna ore body and any competitive advantage it may have is its understanding of that ore body.

The Board has considered a range of alternative investments and has agreed its main focus should be Panguna and the Bougainville exploration tenements.

13) **QUESTION:**

What are the consequences for BCL of a potential acquisition of Rio Tinto by BHP Billiton?

**ANSWER:**

This is a matter for BCL's shareholders and not its Board.

14) **QUESTION:**

Rio Tinto's CEO, Mr. Tom Albanese, recently confirmed discussions with companies in China. Could you please let us know if BCL is directly or in-directly effected by these on-going discussions and if so, in which way?

**ANSWER:**

The Board is not privy to any discussions Mr. Albanese may have had in China.

- 15) **QUESTION:**  
Could you please let us know the latest status in the tax dispute between the PNG government and BCL?

**ANSWER:**

Information is on this matter is contained the Chairman's statement and the Annual report.

The current situation is that some of BCL's objections to a number of tax assessments were rejected by the Internal Revenue Commission [IRC] and BCL has appealed those decisions to the National Court. BCL is acting on legal advice that its appeals have merit. No date has been set for hearing BCL's appeal.

- 16) **QUESTION:**  
Given the increase in commodity prices since the closure of the mine in 1989, could you please share with us the results of your analysis of the Panguna mine's profitability based on today's commodity prices as well as today's costs of operating the mine? Thank you!

**ANSWER:**

That information is not yet available. The studies currently being undertaken will look at a range of projected long term metal prices.

- 17) **QUESTION:**  
Is the Board aware of any other minerals apart from copper, gold and silver that could be produced at Panguna? What is the company's evaluation of the value of these additional assets?

**ANSWER:**

There are small amounts of molybdenum and the economics of recovering it will be assessed.

18) **QUESTION:**  
Is the company considering to convert the current open pit mine into an underground mining operation?

**ANSWER:**

**No current indications are underground mining would not be economic.**

19) **QUESTION:**  
As of today, the law and order situation in the Panguna and Arawa area cannot be described as satisfying. If the overall safety situation cannot be significantly improved by the ABG, what could BCL do to secure the safety of its employees at the mine and hence secure the operation ability of the mine?

**ANSWER:**

**For the BCL Board safety of its staff is paramount so it will not be operating a mine unless it is safe to do so.**

20) **QUESTION:**  
In an internal projection, the ESBC has calculated a fair value for the share of AUD 20 – 30 once the company has resumed mining at Panguna. Does the Board share the ESBC's projection or -if not- where do you see the share's fair value after the re-opening of the mine?

**ANSWER:**

**The Board has not made any predictions on the share price.**

21) **QUESTION:**  
What are the Board's plans to make sure that in the future dividends and royalty payments will be paid out to the eligible persons. According to our information this had been a major problem back in the 1980s and was one of the issues that lead to major frustrations amongst landowners and played a major role in the creating an environment which resulted in the closure of the mine.

**ANSWER:**

Dividends are paid to shareholders in accord with information on the company's share register.

Royalties were paid to the National Government which redistributes them according to a formula it determined.

In addition to dividends and royalties the company paid compensation to landowners under an agreement between the landowners and the company.

**22) QUESTION:**

Did the 24th AUSTRALIA PAPUA NEW GUINEA BUSINESS FORUM AND AUSTRALIA PAPUA NEW GUINEA TRADE EXPO that took place from the 4<sup>th</sup> to 6<sup>th</sup> May cause any positive results for Bougainville Copper and the re-opening of the Panguna mine?

**ANSWER:**

The Board is not aware of any discussion about the company at this Forum.