



BOUGAINVILLE COPPER LIMITED

INCORPORATED IN PAPUA NEW GUINEA ARBN 007 497 869

P.O.BOX 1274, PORT MORESBY, PAPUA NEW GUINEA

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Notice to ASX

2008 Annual Report

Attached is the 2008 Annual Report which contains the full financial statements for 2008.

The notice of the Annual General meeting was posted on the 11 March 2009.

The meeting will be held at the Crowne Plaza Hotel in Port Moresby Papua New Guinea on the 20th April 2009 at 1.00pm.

The Annual Report and notices of meeting will be posted on the company's web site in due course.

PAUL D COLEMAN
Company Secretary



Bougainville Copper Limited

Annual Report

2008

The Company

From 1972 until 1989 when operations were suspended Bougainville Copper Limited operated a large open pit mine and processing facility at Panguna on Bougainville Island in the North Solomons Province of Papua New Guinea producing copper concentrate containing significant quantities of gold and silver. On 15 May, 1989 production was brought to a halt by militant activity.

In the seventeen years prior to 1989, the mine had produced concentrate containing 3 million tonnes of copper, 306 tonnes of gold and 784 tonnes of silver. The production had a value of K5.2 billion, which represented approximately 44 per cent of Papua New Guinea's exports over that period. Contributions to the National Government in the form of taxes, duties and dividends were approximately 17 per cent of internally generated Papua New Guinea Government revenue during that time.

A total of K1,088 million was contributed to the National Government, which represented 62 per cent of the net cash generated by the project between 1972-1989. In addition, payments to the North Solomons Provincial Government and Panguna landowners, together with provisions made since 1990, amounted to K114 million. Further, the company's presence in the North Solomons Province had promoted the development of significant local business enterprises to provide goods and services required for the mining operation and for the residents of the province.

Company training programs for some 12,000 employees, including approximately 1,000 completing full trade apprenticeships and some 400 completing graduate and post graduate studies, had previously resulted in considerable progress in the localisation of the company's employees and also added significantly to the number of skilled workers elsewhere in the country's work-force. At the end of 2008, the company had no employees. The activities of the company are managed on a contracted services basis by a small team of Rio Tinto Minerals (PNG) Limited staff based in Port Moresby.

Since the suspension of mining operations the company has retained, in good standing, its mine lease and other leases on Bougainville.

Bougainville Copper Limited is owned 53.58 per cent by Rio Tinto Limited. The Papua New Guinea government owns 19.06 per cent, while public shareholders hold the remaining 27.36 per cent of the share capital.

Bougainville Copper on the Web

Information about Bougainville Copper is available on our website – www.bougainvillecopper.com.pg – and the Annual Report and other information may be downloaded from the site.

Notice of Meeting

The Annual General Meeting of Bougainville Copper Limited will be held at 1.00 pm on the 20th day of April, 2009 at the Crowne Plaza Hotel, Hunter Street, Port Moresby, Papua New Guinea.

A separate Notice of Meeting is enclosed.

All shareholders are cordially invited to attend.

Directors

P R Taylor (Chairman)

R S Burns

J E Leahy

I J Williams

Mr I J Williams was appointed as a director on 8 May 2008 and continues in office at the date of this report.

Mr B R Alexander was a director from the beginning of the financial year until his retirement on 8 May 2008.

Secretary

P D Coleman

Contents

Introduction	1
The Year in Brief	2
Chairman's Statement and Year in Review	3
Directors' Report	6
Resource Statement	8
Corporate Governance Statement	9
Financial Statements	14
Independent Audit Report	27
Directors' Declaration	28
Corporate Information	29
Distribution of the Benefits	31
Statistical Summary	32

The Year in Brief

- Preparation for a return to active Exploration and Mining has progressed, however access to the Panguna mine by the company is still not possible.
- Strengthening kina and weaker share market contribute to 51 per cent reduction in investment portfolio to K107 million, resulting in a decrease of shareholders' funds by 27 per cent to K293 million.

		2008	2007
Investment income	(K'000)	9,027	8,966
Operating profit (loss)	(K'000)	(4,786)	3,589
Earnings per share	(toea)	(1.193)	0.895
Shareholders' funds	(K'000)	293,262	404,034
Return on shareholders' funds	(per cent)	(1.632)	0.888

Chairman's Statement & Year in Review

Results

For the year ended 31 December 2008 the net loss was K4.8 million (AUD\$2.3 million) compared with a profit of K3.6 million (AUD\$1.5 million) the previous year. In addition there was an unrealised K105.9 million capital loss which together with the net loss equates to a 27.4 per cent decrease in shareholder funds. Operating expenses in this reporting period were in line with those of last year. The net loss is largely attributable to project expenses associated with mine restart studies, tax dispute legal fees and unfavourable movement in the Australian dollar against the Kina. The decrease in shareholder funds is in line with the decline in the ASX 200.

Dividend Policy

Because the company made a net loss it is not in a position to pay a dividend.

Investment Strategy

Over the past several years BCL has maintained a strategy of investing its cash in Australian equities. The move into equities was prompted by a sharp fall in PNG domestic interest rates and a lack of suitable alternative investments in PNG. The strong Australian equity market in the previous several years resulted in a positive return in Australian dollar terms, much of the unrealised gain being of a capital nature. The rapid and unexpected sharp fall in the Australian equities market in line with global stock markets has wiped out the gains made since the current investment strategy started. Capital gains are not currently taxable in PNG and therefore losses are not deductible. It is intended to continue with this investment strategy in 2009 because the Board believes that over time the ASX 200 will recover the reporting period losses. The company will also continue to receive a dividend stream which, given the very low interest rates available for cash, is likely to provide shareholders with a better return by combining capital growth with dividend income. The company has sufficient funds to cover its needs and unlike many other companies is debt free and therefore not subject to pressure over loans and re-financing.

Tax Dispute

Although BCL had been unable to mine at Panguna for over a decade it was 'selected' as the first resources

company to be audited in PNG under a World Bank assistance program for the resources sector. The audit process took many months to complete and the company was required to spend considerable money and management time complying with the audit process. The matter is ongoing and this year there was a proposal to alter tax law specifically aimed at retrospectively applying the amendments to BCL so its tax appeal would be struck out. The proposal has not been passed into law. It is a concern to potential investors that tax rules may be changed on an ad hoc basis for short term gain to State revenue. It is the type of message that reduces PNG's credibility and attractiveness as a safe and reliable country in which to invest.

By way of background to the dispute, mining operations were suspended in 1989 resulting in considerable losses to the company and these losses continue to mount. In line with normal practice the company offset those losses against revenue as well as claiming depreciation of its remaining mine assets. Despite this approach being accepted by the IRC every year since the suspension of mining operations the audit resulted in reassessments being issued. The basis for the reassessment is the company has no assets that can be depreciated. (See note 14 to the financial statements).

BCL has taken expert legal and accounting advice and on the basis of that advice lodged formal objections to the amended assessments. The company has paid approximately K13 million to the IRC which is close to the claimed unpaid primary tax. By far the largest part of the claim is for penalties and interest and these claimed amounts have not been paid and are subject to ongoing court proceedings. BCL believes that the imposition of such penalties is unconstitutional, and for BCL to be liable for the penalties it would have had to avoided tax deliberately. That certainly was not the case with its returns being accepted by the IRC in the relevant years. BCL's substantive tax appeals against the assessments and other amounts claimed is waiting a trial date.

In 2008 there were major contests in the Supreme and National Courts of Papua New Guinea as to the proper procedures for considering BCL's tax appeals, and whether or not BCL must pay the contested penalties and interest before the substantive tax appeals are dealt with. BCL's position on proper procedures for hearing

Chairman's Statement & Year in Review – continued

the tax appeals has been upheld but its challenge to immediate payment of the contested penalties and interest remains undecided.

Review and Renegotiation of the Bougainville Copper Agreement (BCA)

While there is increasing agreement among a variety of stakeholders that the Bougainville Copper Agreement (BCA) and related matters need negotiation it is taking some time to agree the process and what should be on the agenda. The lack of progress in the reporting year was due in part to the need for landowners to settle their representation at talks and this is linked to the ongoing reconciliation process. Another issue was the death of the Autonomous Bougainville Government (ABG) President, Joseph Kabui. The new President has now taken office and the company has had talks with him on issues associated with the Panguna mine. I am hopeful that President Tanis will renew the call by his predecessor for a multi party negotiation of the BCA. The ABG agreed with this approach shortly after being formed and formally requested that the National Government expedite a renegotiation of the BCA as a formal process that would allow the main stakeholders to address a range of issues. The National Government agreed to a formal renegotiation of the BCA and that the Autonomous Government of Bougainville and mine lease landowners be invited to join the negotiations.

I believe a formal multi party process is the best way to get consensus and a sustainable agreement. Without a multi party agreement it will be difficult to fund and execute mine re-development if that is the preferred outcome.

Bougainville

The World Bank initiative aimed at helping Bougainville develop the capacity to manage its mining sector has also made slow progress in the past year. Again there have been issues about the process. Although BCL has its own National Act under which it can operate it would be more comfortable about making major investment decisions related to mine development if the Bougainville mining regime was settled. While the capacity building process is progressing the moratorium on new exploration and mining on Bougainville outside BCL's lease area remains. It is hoped that under the leadership of President Tanis a renewed effort will be made to work

with the National Government to ensure a transparent and fair process leading to the transfer of mining powers to Bougainville. Without a proper process and fair system scarce investment funds of the magnitude needed for resource development on Bougainville will be very difficult to attract.

As I said in last year's report I don't believe it is necessary for the ABG to draw down mining powers before either exploration or mine development can take place within the company's tenements. This is because the BCA already makes provision for such activity. With the commitment of landowners, the ABG and National Government progress towards reopening the mine can move forward and result in much needed economic development for Bougainville and PNG while allowing time to develop the remaining minerals sector in an orderly and considered manner. The current economic cycle for the minerals industry is in recession so there is no longer the imperative to rush through a hastily thought out regime. Greenfield exploration is a high risk business and will be in decline until the world demand cycle and available risk capital picks up. It makes better sense to concentrate on the known resource at Panguna as a way to fund the Bougainville economy.

Litigation

The company is not a party to the class action litigation involving a small group of Bougainville plaintiffs in the US Federal Court. The matter involves allegations over the way the mine was operated and matters that occurred on Bougainville after mining was suspended. Nonetheless the litigation does create uncertainty that the company cannot ignore, it is a distraction from getting on with rebuilding Bougainville's economy and a potential impediment to fund raising for major resource projects on Bougainville. After more than eight years a majority of a panel of 11 judges has sent the matter back to where it started before a single judge. The court has been asked to decide whether the case should be heard in PNG as a prerequisite to it being allowed before a US Court. It is likely to be a long time before the matter is finally resolved unless the plaintiffs withdraw because there are still many processes and avenues of appeal available.

A separate claim against the company concerning landowner compensation is still pending, however the plaintiffs in the case have expressed a willingness to bring

Chairman's Statement & Year in Review – continued

their claims within the Bougainville Copper Agreement renegotiation process.

Corporate Governance

BCL has governance reporting obligations to the Australian Securities Exchange (ASX) and internally to Rio Tinto Limited, its parent company. BCL has reported against ASX governance guidelines. As the name suggests these are 'guidelines' rather than mandatory rules. A statement on BCL's compliance with the guidelines is contained in this report. In addition BCL has responded to the Rio Tinto Limited governance questionnaire which incorporates the Group's comprehensive range of policy including safety, environment, financial management and many other risk management matters.

Safety

The Rio Tinto Group is particularly safety conscious and has in place a comprehensive set of safety standards to ensure it provides a safe working environment and that its employees and contractors comply with best practice safety procedures. BCL complies with the requirements of the Rio Tinto safety policy.

Year Ahead

In the year ahead I look forward to working with the Autonomous Bougainville Government to resolve issues associated with the mine past and future. I believe a mutually beneficial agreement can be worked out that will benefit landowners, the Government and company shareholders. As I have said before I think it is better to get the process right than fast track it and fail. I am pleased at the progress that has been made. Bougainville has entered a new phase and elected a young and dynamic person to lead it. I look forward to a period of increased co-operation and engagement with the Government and landowners. Together I believe we can renew the economic prosperity Bougainville once had. This time it is anticipated there will be greater local ownership and profit sharing if the mine is redeveloped.

If the opportunity arises BCL has identified exploration targets to be tested. It has also completed a comprehensive redevelopment study that indicates potential for an economic operation over 15-20 years. Further studies will be needed to get to a "bankable" level of certainty that the mine is economically viable. The costs associated with those studies are high so they won't be undertaken until a rigorous consultation process with landowners and Government is complete and there is general agreement on the mine's future and the terms under which it can operate.

Our vision to return to active exploration and profitable mining remains but is dependent on Bougainville communities reconciling issues and living in harmony. Normalisation of society and in particular the disposal of illegal guns is a priority. Ongoing civil unrest and restrictions to free movement inhibit the ability to govern and improve the living standards of all citizens.

BCL is continuing to support the work of the Bougainville Copper Foundation. This is an independent, "not for profit", company that has been funded by BCL since its inception. This year the Foundation has more than 50 Bougainville students on scholarships. It also provided text books for the schools in the Panguna area. Many of the Foundation's former scholars are working in the community and contributing to the development of Bougainville.

Although the current global economic slowdown presents challenges for the company and the country, both are in good financial shape and well placed to take advantage of the upswing when it arrives. I am optimistic that strong leadership on Bougainville will drive redevelopment to the mutual benefit of all.



Peter R Taylor

Chairman & Managing Director.

5 March 2009

Directors' Report

The Directors of Bougainville Copper Limited present their report on the audited financial statements of the company for the year ended 31 December 2008.

Review: The operating loss for 2008 of K4.8 million compared to a profit of K3.6 million in 2007. The global financial crisis contributed to a 51 per cent reduction in the investment portfolio to K107 million. Although income remained steady during the year, operating expenses increased because of mine redevelopment planning, additional IRC tax case legal fees and exchange losses.

Directors: The directors of Bougainville Copper Limited at balance date are:

R S Burns

Age 59 FRMIT (Primary Metallurgy) FAIMM

An employee of the Rio Tinto Group with 29 years experience in operations and technical roles including seven years with Bougainville Copper. Other Rio Tinto roles include Senior Project Manager Resource Developments, General Manager Wimmera Industrial Minerals, General Manager Kelian Equatorial Mining, Managing Director Northparkes/ Peak Mines, General Manager Improving Performance Together Team, currently Chief Advisor Technology and Innovation Melbourne. Chairman Northparkes Mines Joint Venture. Trustee Aus IMM Educational Endowment Fund. Appointed a director of Bougainville Copper Limited January 2006.

J E Leahy

Age 51 B.Juris LLB

Independent Director. Mr. Leahy has university qualifications in jurisprudence and in law and has been admitted to practise law in NSW, Australia and Papua New Guinea. Mr Leahy has more than 19 years experience in senior tax and management positions in Papua New Guinea. This experience includes being an AusAID expert adviser to the Department of Finance, Assistant Collector of Taxes and the Managing Partner with both Deloitte Touche Tohmatsu and later PricewaterhouseCoopers in Papua New Guinea.

Mr. Leahy is the past Chairman of the Bougainville Economic Development Task Force, Past President of the Australia Papua New Guinea Business Council in PNG, Past President of the Papua Club and is currently a

member of the National Working Group on Removing Impediments to Business and Investment in PNG, and President of the PNG Chamber of Commerce and Industry.

Mr. Leahy is currently with Peter Allan Lowing Lawyers and is a resident of PNG. Appointed a director of Bougainville Copper Limited February 2007. Due to retire in April 2009 by rotation.

P R Taylor

Age 62 BA BSc LLB LLM

Formerly with a major Australian law firm. Admitted to practise law in Papua New Guinea, New South Wales, Queensland and Western Australia. The last 24 years have been spent with the Rio Tinto Group. Other Rio Tinto roles include General Corporate Counsel, Rio Tinto Exploration General Manager Commercial, Commercial Advisor to RTZ, General Manager Commercial Business Development. Appointed to the Board of Bougainville Copper Limited April 1997 and Managing Director March 2000. Appointed Chairman of Bougainville Copper Limited in October 2003. Currently Executive Director Rio Tinto Australia and a Director of several Rio Tinto Group companies including Rio Tinto Marine and Energy Resources Australia. Community and business affiliation include former Chairman of international development agency Australian Business Volunteers and currently Vice President of the Australia Papua New Guinea Business Council.

I J Williams

Age 71 B Eng (Electrical) FAIMM

Ian Williams has occupied a number of very senior positions within the mining and processing industries.

He has a degree in Electrical Engineering and is a Fellow of the Australasian Institute of Mining and Metallurgy and of the Institution of Engineers. Currently he is Chair of the Pt Hedland Port Authority, a Director of Brandrill Limited and a major private structural fabrication company. He is also assisting the West Australian Government in the facilitation of a privately funded major new port and rail infrastructure project in the state's Mid West Region. He is also an independent director on three Aboriginal benefits trusts.

His diverse experience includes executive management of open cut and underground mining operations,

Directors' Report – continued

brownfield expansions and new major mining projects. He was responsible for the establishment of two iron ore mines and associated infrastructure for Hamersley Iron Ltd.

Appointed a director of Bougainville Copper Limited in May 2008.

Activities: Bougainville Copper Limited has produced copper concentrate containing gold and silver from a mine at Panguna, Bougainville, Papua New Guinea, from 1972 until operations were suspended due to militant activity, in May 1989. The company now derives investment income. The company has no subsidiaries.

Net Earnings: The net loss of Bougainville Copper Limited for 2008 was K4.8 million (2007: Profit K3.6 million).

Taxation: No future income tax benefits have been recognised in the accounts.

Share Capital: There was no change in the company's capital structure during the year.

Long Term Loans: The company has no loans and no lines of credit are in place.

Dividends: The Directors have not declared a dividend for 2008.

Accounting Policies: There have been no changes made in the company's accounting policies during 2008.

Directors' Interests: Directors' interests in the share capital of the company and its related companies as at 5 March 2009 were:

R S Burns

Shares – Rio Tinto Limited	1,012
Conditional shares awarded under the Mining Companies Comparative Plan – Rio Tinto Limited.	4,812
Options – Rio Tinto Share Option Plan	4,590

J E Leahy No interests

P R Taylor

Shares – Rio Tinto Limited	4,166
Conditional shares awarded under the Mining Companies Comparative Plan – Rio Tinto Limited.	7,968
Options – Rio Tinto Share Option Plan	18,162

I J Williams

Shares – Rio Tinto Limited	3,000
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Interests Register: There were no transactions recorded in the Interests Register during the year, other than the directors' interests in the shares of the company as shown above.

Auditors: The retiring auditors, PricewaterhouseCoopers, being eligible, offer themselves for re-appointment. Details of amounts paid to the auditors for audit and other services are shown in Note 2 to the Financial Statements.

Remuneration of Employees: The company had no employees during the year. All administrative services were provided by Rio Tinto Minerals (PNG) Limited on an at cost basis.

Remuneration of Directors: The amount of directors' remuneration, including the value of benefits, received during the year is shown in Note 13 to the Financial Statements.

Donations: The company made no donations during the year. The company does not make donations to political parties. The Bougainville Copper Foundation continues to provide educational and other support. BCL provides administrative support to the Foundation.

Environment: Mining operations of the company were suspended in 1989 and it has been denied access to its mine site to assess environmental circumstances. The company is not aware of any liability being incurred under any environmental legislation.

Additional Information: The directors also state that:

1. There were no significant changes in the state of affairs of the company during the year except that, in September 2008 the Internal Revenue Commission moved the National Court of PNG for summary judgment against the company for K42,474,584 being the amount claimed to be outstanding on tax assessments previously issued by the IRC and which are the subject of an appeal by the company. The company simultaneously moved the court for orders that the proceedings seeking that judgment to be stayed pending the determination of the appeal by the company. At the time of writing no decision has been delivered. The current claim of K42,474,584 represents K15,725,529 primary tax and the balance penalties and interest.

In November 2008 the National Parliament presented

Directors' Report – continued

its annual budget legislation which included a provision with the intended effect that if the company did not pay the total amount claimed to be outstanding on the disputed tax assessments by the end of January 2009 then the pending court appeals by the company would stand dismissed. It is believed the budget legislation passed by Parliament up to the date of this report did not contain this provision.

In the event the court rules against the company or legislation is passed requiring payment, the Company will face a substantial drain on its liquid assets.

2. The results of the company during the financial year have not been, in the opinion of the directors, substantially affected by events of a material and unusual nature other than contained in this report, and as set out in the Notes to the accounts.
3. Except as reported in this Annual Report, there were no matters or circumstances that have arisen since the end of the financial year and which significantly affected or may significantly affect:
 - (i) the operations of the company
 - (ii) the results of those operations or
 - (iii) the state of affairs of the company in the financial year subsequent to 31 December 2008.
4. No director has an interest in any contract or proposed contract with the company, nor is any director party to any material contract involving directors' interests, and are not in receipt of any loans or benefits other than the aggregate amount of emoluments received or due and receivable by directors shown in the accounts and the amount of fixed salary derived from the company or from a related corporation.
5. No options over shares of the company have been granted by the company during the financial year or

since the end thereof; no shares of the company were issued during the year or have been issued since the end thereof by virtue of the exercise of any option granted by the company; and no options over shares of the company are outstanding at the date of this report.

Signed this 5th day of March 2009 in accordance with a resolution of the directors of Bougainville Copper Limited.



P R Taylor
Chairman and Managing Director



J E Leahy
Director

Resource Statement

In 2008 BCL prepared an Order of Magnitude Study (OMS) to evaluate the technical and financial viability of re-opening the Panguna mine. As part of the OMS a JORC compliant mineral resource estimate was completed. The 2008 mineral resource has been estimated using geological, mine planning and production data archived in 1989. The archived data sets have been reviewed and validated by Rio Tinto and ex BCL staff during 2008. No additional data was collected as part of the OMS.

The updated estimate confirms the significant size of the Panguna resource of over one billion tonnes of material containing 3.5 million tonnes of copper and 12.7 million ounces (395 tonnes) of gold.

	Tonnes (M)	Cu (%)	Au (g/t)	Cu (Mt)	Au (Moz)
Measured Resource	0	0.00	0.00	0	0
Indicated Resource	1000	0.33	0.37	3.3	11.9
Inferred Resource	64	0.28	0.41	0.2	0.8
Total Resource	1064	0.33	0.37	3.5	12.7

Corporate Governance Statement

For the financial year ended 31 December 2008

Corporate governance

The Board of BCL considers high standards of corporate governance to be critical to business integrity and performance and to maximising the overall long term return to shareholders. The Board seeks to ensure that BCL meets the objectives of its shareholders, while paying proper regard to the interests of all stakeholders.

The corporate governance structures and practices in place at BCL are substantially in compliance with the 2nd Edition of the Corporate Governance Principles and Recommendations ("Principles") developed by the Australian Securities Exchange Corporate Governance Council ("ASX Principles").

The Board has considered the ASX Principles, and BCL does not comply with the following recommendations:

Recommendations 2.1, 2.2 and 2.3 –

There is not a majority of independent Directors nor an independent Chairman, and the roles of Managing Director and Chairman are held by the same person;

Recommendation 2.4 –

There is no established nominations committee; and

Recommendation 4.2 –

There are only two members on the Audit Committee; and

Recommendation 8.1 –

There is no remuneration committee.

Areas where the corporate governance practices in place at BCL do not follow the recommendations set out in the ASX Principles arise due to Rio Tinto's ownership of 53.58 per cent of the shares of the company and the management direction, services and support provided by Rio Tinto. As explained further below, the Board considers that in each case this is appropriate.

The Corporate Governance section of the company's website sets out the further information required by the ASX Principles at www.bougainvillecopper.com.pg

The Board Responsibilities & Charter

In carrying out its responsibilities and powers, the Board at all times recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the company's shareholders and all other stakeholders.

The Board Charter underpins the strategic guidance and effective management oversight provided by the Board,

and defines the division of responsibility between Board and management by formal delegation and a system of Board reserve powers. The Board reviews the Board Charter on an annual basis, and a copy is available on the company's website at: www.bougainvillecopper.com.pg

The Directors approve strategy and business plans and monitor the performance of the company against these plans. The Directors also monitor compliance with policies prescribed by the Board in areas such as health and safety, environment, business ethics, internal control and risk management. These policies are designed to ensure that BCL complies with the regulatory requirements governing its operations.

Composition

The Board of BCL currently consists of four directors, three of whom are non-executive. The Chairman is Mr. P Taylor who is also Managing Director and an executive of Rio Tinto. A non-executive director, Mr. R Burns, is also an executive of Rio Tinto. Mr. J Leahy and Mr. I Williams are independent non-executive directors.

Details of the Directors, their experience, qualifications and other appointments are set out on page 7.

Qualification for Board membership is related to the mix of skills and knowledge that the Board considers will best serve the interests of BCL and all of its shareholders. Decisions relating to appointment of Directors are made by the full Board. Directors appointed by the Board are required by BCL's constitution to submit themselves for election by shareholders at the Annual General Meeting following their appointment. Non-executive directors are subject to retirement by rotation at least every three years in accordance with BCL's constitution, but may offer themselves for re-election. There is no share ownership qualification for appointment as a director.

The Board has not established a nominations committee. The Board recognises that this is not compliant with Recommendation 2.4 of the ASX Principles. The Board considers that its existing practices in reviewing director competencies, Board succession planning, Board performance evaluation and director selection and nomination, carried out in accordance with the Board Charter, are satisfactory and are appropriate given the size of the Board and the company's current ownership structure.

Corporate Governance Statement – continued

Independence

Mr J Leahy and Mr. I Williams are independent non-executive directors.

For the purposes of determining director independence, the Board considers any material business relationship which could interfere, or be perceived to interfere, with the director's independence and judgement, ability to provide a strong, valuable contribution to the Board's deliberations and director's ability to act in the best interest of the company and all shareholders. Contracts in the ordinary course of business that exist between BCL and a company in which a director has declared an interest, are reviewed for materiality to both BCL and the other party to the contract.

The following may be taken into account in considering such material business relationships:

- whether within the last 5 years the director or a close family member has been part of the executive management of the company, employed in a senior position with a member of the Rio Tinto Group or has received additional remuneration from the company or a member of the Rio Tinto Group;
- whether the director or a close family member is, or is associated with, a substantial shareholder (more than 5 per cent of the voting shares) in the company or in a member of the Rio Tinto Group;
- the director's cross directorships or significant links with or involvement in other companies;
- the director's length of service on the Board; and
- whether within the last three years the director or a close family member has had, either directly or indirectly and whether as principal, employee or consultant, a material business relationship with the company or with a member of the Rio Tinto Group, whether as an auditor, professional adviser, supplier, or customer ("material" being more than 2 per cent of the company's or the counterparty's consolidated gross revenue per annum).

The Board does not comprise a majority of independent directors although half its directors are independent. This is not in compliance with Recommendation 2.1 of the ASX Principles. The composition of the Board recognises Rio Tinto's 53.58 per cent shareholding and the Board considers that given the company's operating status for the past year, it has not been considered necessary to have more than four Directors.

All Directors are required to, and do, bring independent

judgment to bear on Board decisions and act in accordance with their statutory duties of good faith and proper purpose, and in the interests of all shareholders.

All related party transactions, including those with Rio Tinto, have been determined by the independent directors to be in the interests of BCL.

Chairman and Managing Director

The respective roles of Chairman and Managing Director have been codified with authority levels set for each position to ensure the combined roles do not result in unfettered power being held by a single member of the Board. Mr Taylor's performance as the company's Managing Director was reviewed during 2008 by Rio Tinto Limited in keeping with its executive management practices (recommendation 1.2). Whilst this may not be compliant with Recommendation 2.2 of the ASX Principles, the Board considers that Mr Taylor's appointment is appropriate recognising Rio Tinto's 53.58 per cent shareholding.

At this juncture, none of the recommendations of the ASX Principle 2 are in place, except Principle 2.5 "evaluating the performance of the board, its committees and individual directors". The situation will continue to be monitored/reviewed over the coming year with appropriate actions implemented where operationally desirable and strategically appropriate prior to December 2009.

Board Meetings

The Board held four scheduled meetings during 2008, and did not meet for any unscheduled meetings. The Board meeting attendance details for Directors in 2008 are set out below.

Director	Meetings Attended	Meetings Whilst in Office
B Alexander	2	2
R Burns	4	4
J Leahy	4	4
P Taylor	4	4
I Williams	2	2

Performance Self-Assessment

In 2008 the Board performed an annual evaluation of itself that:

- (a) Considered the performance of the directors and the Board and the adequacy of the Board's structures and processes, including the Board Charter;

Corporate Governance Statement – continued

- (b) Set out goals and objectives of the Board for the upcoming year; and
- (c) Considered whether any improvements or changes to the Board structures and processes, including the Board Charter and Audit Committee and Charter, were necessary or desirable.

The process of evaluation and self assessment took the form of a questionnaire completed by each of the directors. Following collation, the results and the adequacy and appropriateness of the self assessment process were considered and discussed by the directors at the next Board meeting, and actions arising were agreed.

Independent Professional Advice

The Board has adopted a procedure for directors wishing to seek independent professional advice at the company's expense, in the furtherance of their duties. The Board recognises that there may be circumstances in which individual directors are entitled to independent professional advice at the company's expense, in the furtherance of their duties, and any director may do so by arrangement with the company secretary.

Particulars of Directors' Interests in Shares and Options

The particulars of the directors' interests in shares in the company and related bodies corporate as at 31 December 2008 are set out on page 8.

Each of the directors has given a general notice in accordance with PNG corporations law (and consistent with the Australian Corporations Act 2001) stating that he is an officer and/or member of certain specified corporations and, as such, is to be regarded as having an interest in any contract which may be made between BCL and those corporations.

Remuneration

BCL does not have any employees and consequently does not have need for a Remuneration Committee. Management of BCL is provided by Rio Tinto Limited under a Service Agreement. Rio Tinto Limited selects and appoints staff consistent with the business needs of BCL and the Board reviews these appointments. Some of these individuals work partly for BCL and partly for the Rio Tinto Group. The remuneration of executives and staff appointed to BCL is governed by the compensation policies applied by Rio Tinto Limited and which are discussed in its Annual Report. The Board recognises that

this is not compliant with Recommendation 8.1 of the ASX Principles. The Board considers that its existing practices in reviewing and approving remuneration arrangements, carried out in accordance with the Board Charter, are satisfactory and are appropriate given the size of the Board and the ownership by the Rio Tinto Group of 53.58 per cent of the shares of the company and the support provided by Rio Tinto with respect to remuneration policies and procedures.

The maximum limit for Directors' remuneration is determined by shareholders in a General Meeting. Within that limit the remuneration of Directors is generally determined by the full Board after taking into account data on market remuneration levels. During 2008 there was no increase in individual director fees of \$30,000 plus \$6,000 per annum for Committee members, however the Board approved an increase in directors fees to A\$55,000 and A\$10,000 per annum for Committee members subject to approval at the AGM of the increase in the fee-pool. One independent director retired and received a retirement benefit which was fully provisioned. No other directors are entitled to retirement benefits. It is proposed to remove the ability to pay retirement benefits this year which is compliant with Recommendation 8.2 of the ASX Principles. The Managing Director does not receive directors' fees. Mr. Burns directors' fees are paid directly to Rio Tinto Limited.

Audit Committee

The Audit Committee is appointed by the Board and comprises the two non-executive Directors. Two Directors constitute a quorum. The present members of the Audit Committee are Mr J Leahy (Chairman) and Mr. I Williams. The company secretary and external auditors are available to attend meetings. The Board recognises that this membership level is not compliant with Recommendation 4.2 of the ASX Principles. The Board considers that given its current size having both independent Directors on the Committee is adequate.

The Audit Committee Charter sets out the role and terms of reference of the Audit Committee and is reviewed regularly. The Audit Committee Charter is available at the Corporate Governance section on BCL's website.

The Committee provides a formal structure for reviewing BCL's financial statements, accounting policies, control systems, risk management practices and taxation issues, and for liaison with the external and internal auditors. The Committee also reviews the adequacy of internal

Corporate Governance Statement – continued

and external audit arrangements.

The Committee advises the Board of any matters that might have a significant impact on the financial condition of BCL and has the authority to investigate any matters within the terms of reference, having full access to the information and resources of BCL to fulfil its function. Related party transactions are considered by the Audit Committee including, where they relate to Rio Tinto. The Committee reviews compliance with the Corporations Act, and the requirements of the Australian Securities Exchange and other regulatory requirements.

The Audit Committee held four scheduled meetings during 2008, and attendance details of the 2008 meetings of the Audit Committee are set out in the table below. The names and qualifications of the members, are set out in the Directors' Report on page 7.

Director	Meetings Attended	Meetings Whilst in Office
B Alexander	2	2
J Leahy (Chairman)	4	4
I Williams	2	2

Any work to be conducted by the external auditor other than the statutory audit is approved by the Audit Committee.

Code of Business Conduct

BCL has adopted the Rio Tinto Code of Conduct, *The way we work*, available at Rio Tinto's website at: www.riotinto.com The company's consultants and contractors are required to comply with this. All employees and contractors are required to maintain high standards of ethical behaviour in the execution of their duties and comply with all applicable laws and regulations in Papua New Guinea and in every other country in which the company engages in business.

The way we work is reviewed regularly to ensure compliance by the company.

The company utilises Rio Tinto's confidential whistleblower program known as 'Speak-Out'. Employees are encouraged to report any suspicion of unethical or illegal practices.

Purchase and Sale of Company Securities

BCL has adopted the Rules for dealing in securities of Rio Tinto, its subsidiary and associated companies' ("Rules for dealing") which reinforces to all directors, officers and employees the prohibition against insider trading. The share trading policy is available at the

Corporate Governance section of the Rio Tinto website at: www.riotinto.com

The "Rules for dealing" apply to the participation of BCL executives in the Rio Tinto long term incentive plans involving the awarding of Rio Tinto securities at a future date, and any such grants of shares and options under the Rio Tinto plans are subject to and conditional upon compliance with the terms of the Rules for dealing, including an express prohibition on hedging or limiting of exposure to economic risk in relation to such securities.

The Chairman requires that for all dealing in BCL securities:

- Directors must advise the Chairman in writing, and receive approval in writing from the Chairman, if they intend to purchase or sell securities in the company. In regard to his own dealings, the Chairman is required to notify the Chairman of the Audit Committee; and
- No dealings in securities of the company may take place for the period from the end of any relevant financial period to the trading day following announcement of BCL's annual results or half year results.

Risk Identification and Management

BCL has in place a range of policies and procedures to manage the risks associated with its operating activities. These policies and procedures have been adopted by the Board, with primary oversight by the Audit Committee, to ensure that potential business risks are identified and appropriate action taken.

The management of risk is an integral part of the responsibility of both the Board and management and is carried out through an integrated risk management assurance process including a detailed internal control questionnaire process covering all of the Company's material business risks.

BCL benefits from the Rio Tinto Group's knowledge, policies and practices on risk management and corporate assurance developed to manage its diverse business activities covering a variety of commodities and operational locations.

Key material business risks and opportunities inherent to the Company's operations and the mining industry include (but are not necessarily limited to): economic conditions (and consequent fluctuations in commodity pricing, exchange rates and costs of finance); delivery of exploration and development projects; ore reserve

Corporate Governance Statement – continued

estimates; community relationships and government regulation; land and resource tenure; rehabilitation including impacts of climatic conditions, and costs of operations including changes to input costs.

The Board has in place a number of systems to identify and manage business risks. These include:

- The identification and review of all of the business risks facing the company. The risk assessment is completed by management and reviewed by the audit committee on an annual basis. Management is required to report on assessments twice a year and provide a certificate of compliance to Board annually;
- The provision of reports and information by management to the Board, on a periodic basis, confirming the status and effectiveness of the plans, controls, policies and procedures implemented to manage business risks;
- Guidelines for ensuring that capital expenditure and revenue commitments exceeding certain approved limits are placed before the Board for approval;
- Limits and controls for all financial exposures;
- A regulatory compliance program; and
- Safety, health and environmental policies which are supported by a set of standards and management systems which recognise the company's commitment to achieving high standards of performance in all its activities in these areas.

The directors consider that the 2008 Annual Report and financial statements present a true and fair view and have been prepared in accordance with applicable accounting standards, using the most appropriate accounting policies for BCL's business and supported by reasonable and prudent judgements and estimates. The directors have received a written statement from the managing director and company secretary to this effect. In accordance with ASX principle 7.3 this written statement relies on a sound system of risk management and internal compliance and confirms that BCL's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects. The directors and managers who are required to exercise judgement in the course of the preparation of the financial statements are required to conduct themselves with integrity and honesty and in accordance with ethical standards of their profession and/or business. There is further formal certification given by the Managing Director, as part of the Company's

internal control questionnaire process, that BCL's internal compliance and control system is in place and operating effectively in all material respects.

Public Statements and Disclosure Matters

BCL makes full and immediate disclosure of material information to its shareholders and the market in accordance with its obligations. Established reporting systems are in place to ensure compliance.

Shareholder Communication

BCL recognises the importance of effective communication with shareholders and the general investment community. Apart from BCL's compliance with its continuous disclosure obligations, BCL takes steps to ensure that its shareholders and other stakeholders are kept informed.

Full advantage is taken of the annual general meeting to inform shareholders of current developments and to give shareholders the opportunity to ask questions. As recommended by the ASX Principles, BCL's auditor PricewaterhouseCoopers, attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. BCL shareholders are also able to submit written questions regarding the statutory audit report to the auditors via the Company. Any questions received and answers provided will be made available to members at BCL Annual General Meetings.

Information about Bougainville Copper is available on our website – www.bougainvillecopper.com.pg

Income Statement

<i>Bougainville Copper Limited year ended 31 December 2008</i>		2008	2007
	Notes	K'000	K'000
Income			
Interest		974	938
Exchange gains		-	631
Dividends		8,053	7,397
		9,027	8,966
Costs and expenses			
General and administration expenses	2	(9,176)	(4,858)
Exchange losses	5	(4,637)	(519)
		(13,813)	(5,377)
Operating profit (loss) before tax		(4,786)	3,589
Income tax	4	-	-
Operating profit (loss) after tax		(4,786)	3,589
Basic and diluted earnings per share (toea)		(1.19)	0.895

Statement of Changes in Equity

	Paid up capital	Asset revaluation reserve	Fair value reserve	Accumulated losses	Total
	K'000	K'000	K'000	K'000	K'000
Brought forward at 01.01.07	401,063	31,276	64,654	(118,753)	378,240
Operating profit – 2007	-	-	-	3,589	3,589
Fair value movements – 2007	-	-	22,205	-	22,205
Balance at 31.12.07	401,063	31,276	86,859	(115,164)	404,034
Operating (loss) – 2008	-	-	-	(4,786)	(4,786)
Fair value movements – 2008	-	-	(105,986)	-	(105,986)
Balance at 31.12.08	401,063	31,276	(19,127)	(119,950)	(293,262)

All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The Notes on pages 17 to 26 form part of these accounts and are to be read in conjunction with them.

Balance Sheet

<i>Bougainville Copper Limited at 31 December 2008</i>		2008	2007
	Notes	K'000	K'000
Funds employed:			
Shareholders' Funds			
Ordinary shares	11	401,063	401,063
Asset revaluation reserve	9	31,276	31,276
Fair value reserve	12	(19,127)	86,859
Accumulated losses		(119,950)	(115,164)
		293,262	404,034
Non-Current Liabilities			
Provisions	6(b)	22,073	22,073
Other payables	6(b)	4,517	4,736
Income tax	4(b)	6,759	6,759
		33,349	33,568
Current Liabilities			
Trade payables	6(a)	1,142	1,137
		327,753	438,739
Total Funds			
These funds are represented by:			
Non-Current Assets			
Available-for-sale financial assets	3	98,753	204,739
Other receivables	10(b)	3,909	3,909
Mine assets	8	197,894	197,894
		300,556	406,542
Current Assets			
Cash and cash equivalents		968	358
Held-to-maturity financial assets	7	8,704	14,291
Other receivables	10(a)	17,525	17,548
		27,197	32,197
		327,753	438,739
Total Assets			

Details of contingent liabilities and assets are shown in Note 14. All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The Notes on pages 17 to 26 form part of these accounts and are to be read in conjunction with them.

Statement of Cash Flows

<i>Bougainville Copper Limited year ended 31 December 2008</i>	2008 K'000	2007 K'000
<i>Cash flows from operating activities</i>		
Payments to suppliers	(10,163)	(5,731)
Interest received	979	889
Dividends received	8,053	7,397
Net operating cash flows	(1,131)	2,555
<i>Cash flows from investing activities</i>		
Payments for purchase of shares in non-related entities	-	(5,914)
Increment in held-to-maturity investments	(979)	(889)
Proceeds from held-to-maturity investments	3,126	3,355
Net investing cash flows	2,147	(3,448)
<i>Net increase/(decrease) in cash and cash equivalents</i>		
Net cash flow	1,016	(893)
Cash and cash equivalents at beginning of year	358	1,352
Effect of exchange rate changes on cash and cash equivalents	(406)	(101)
Cash and cash equivalents at end of year	968	358

All amounts are expressed in Papua New Guinea kina. Rounding to the nearest thousand kina has been adopted. The Notes on pages 17 to 26 form part of these accounts and are to be read in conjunction with them.

For, and on behalf of, the board.



P R Taylor

Chairman & Managing Director



J E Leahy

Director

5 March 2009

Notes to Accounts

These notes form part of the 2008 accounts of Bougainville Copper Limited and should be read in conjunction with them.

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 and have not been early adopted by the Company.

The following amendments to an existing standard have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods, but the Company has not early adopted them:

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).

The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in

addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

1.(b) Accounting Policies Mine Assets:

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:

Tax effect accounting procedures are followed. Any current liability for income tax is based on estimated taxable income for the year. The components of this taxable income can differ from those which make up the earnings before tax for the year and these differences are either permanent differences or temporary differences. Permanent differences are disclosed in Note 4. Temporary differences arise because the tax base of some assets and liabilities is different from their accounts carrying value. The tax effect of these temporary differences is classified as either deferred income tax liability or future income tax benefit in the balance sheet. Future income tax benefits are not recognised unless their realisation is probable. Future income tax benefits therefore have not been recognised pending the development of a clearer view of the timing of recommencement of operations.

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 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. Gains or losses on 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.

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.

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

Refer to Note 10 and 14 for information regarding the company's ongoing tax dispute with the IRC.

1(d) Critical judgment in applying the entities accounting policy

Impairment of available-for-sale financial assets

The Company follows the guidance of IAS 39 Financial Instruments: Recognition and Measurement on

determining when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost.

The Company has determined the shortfall of each investments fair value below cost to be neither significant nor prolonged at 31 December 2008.

If the decline in fair value below costs was considered significant or prolonged, the Company would have suffered an additional loss of K19,126,681 in its 2008 financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the income statement.

1(e) Rounding of Amounts

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

1(f) 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.

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

<i>Bougainville Copper Limited year ended 31 December 2008</i>	2008	2007
	K'000	K'000
2. General and administrative expenses		
Remuneration of Directors (Note 13)	2,069	1,358
Auditors' remuneration - auditing the accounts	60	32
- taxation services	128	79
- other	-	2
(The auditors have received no other benefits)		
Insurance	160	187
Management fees – related party (Note 18)	3,242	2,084
Legal Fees – IRC tax case	1,376	127
Mining Lease Rents	85	50
Corporate Subscriptions	143	121
Goods and Services Tax	326	279
Other general and administrative expenses	1,587	539
	9,176	4,858

3. Available-for-sale financial assets

Non-current

At fair value		
Opening balance	204,739	176,620
Movement in Fair Value Reserve	(105,986)	22,205
Additions to Available-For-Sale Financial Assets	-	5,914
Closing balance	98,753	204,739
Original cost when purchased	117,880	111,966
Fair Value Reserve year end balance	(19,127)	86,859
Additions to Available-For-Sale Financial Assets	-	5,914
Closing Balance	98,753	204,739

Available-for-sale financial assets consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

4. Taxation

(a) The following reconciliation discloses the items which caused the charge for income tax in the income statement to vary from the income tax prima facie payable on reported earnings:

Operating profit (loss) before taxation	(4,786)	3,589
Prima facie income tax @ 30 per cent	(1,436)	1,077
Future tax benefit now recognised	1,436	(1,077)
Income tax expense	-	-

(b) An agreement between the Independent State of Papua New Guinea and Rio Tinto Limited provides for the deferral of income tax payable in respect of the 1989 year until certain criteria have been met following successful recommencement of operations.

(c) The future income tax benefit relating to tax losses has not been brought to account because their realisation is not probable.

Available tax losses carried forward amount to K105,192,315 (2007: K104,038,253).

<i>Bougainville Copper Limited year ended 31 December 2008</i>	2008	2007
	K'000	K'000

5. Exchange Fluctuation

(a) The net exchange gain/(loss) reflected in earnings arose from overseas held-to-maturity financial assets	(4,637)	(519)
(b) Foreign currency amounts included in current assets, non-current assets, current liabilities and non-current liabilities that are not effectively hedged are:		
Current assets	9,672	14,533
Non-current assets	98,753	204,739
Current liabilities	111	37
Non-current liabilities	-	219
Kina equivalent of Australian dollars		

6. Liabilities

Trade payables		
(a) Current		
Provision for care and maintenance	830	830
Trade creditors	-	39
Related corporations (Note 18)	312	268
	1,142	1,137
(b) Non-current		
Other payables	4,517	4,736

Payables that have been carried forward since the suspension of mining operations have been classified as non-current liabilities, as the directors consider they are unlikely to be settled within the following year.

Aged trade payables that are no longer considered payable have been written back.

Provision for compensation, rehabilitation and stabilisation	22,073	22,073
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The company has a provision for compensation, rehabilitation and stabilisation for which it may be liable as a consequence of cessation of operations. The directors consider that the provision held of K22.07 million is adequate to cover claims for which the company may be liable.

7. Held-to-Maturity Financial Assets

Opening balance	14,291	16,025
Interest received	930	856
Transfers from held-to maturity financial assets	(7,279)	(6,468)
Additions to held-to-maturity financial assets	4,202	3,145
Exchange gains/(losses)	(3,440)	733
Closing balance	8,704	14,291

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

<i>Bougainville Copper Limited year ended 31 December 2008</i>	2008 K'000	2007 K'000
8. Mine Assets		
(a) Mine development and buildings		
- at directors' 1980 valuation	292,165	292,165
- Less accumulated depreciation	159,721	159,721
	132,444	132,444
- at cost	102,988	102,988
Less accumulated depreciation	38,664	38,664
	64,324	64,324
Net mine development and buildings	196,768	196,768
(b) Plant, machinery & equipment		
- at directors' 1980 valuation	245,177	245,177
- Less accumulated depreciation	148,866	148,866
	96,311	96,311
- at cost	304,486	304,486
Less accumulated depreciation	104,703	104,703
	199,783	199,783
Net plant, machinery & equipment	296,094	296,094
(c) Mine property		
- at cost	62,121	62,121
Less accumulated amortisation	46,204	46,204
Net mine property	15,917	15,917
(d) Capitalised works in progress – at cost	29,112	29,112
Total property, plant & equipment		
- at cost or valuation	1,036,049	1,036,049
Less accumulated depreciation/amortisation	498,158	498,158
Net book value	537,891	537,891
Stores	10,003	10,003
Total mine assets	547,894	547,894
Less impairment loss	350,000	350,000
Net book value	197,894	197,894
Reconciliation of Movement in Net Book Value		
Net Book Value at beginning of year	197,894	197,894
Additions	-	-
Disposals	-	-
Net Book Value at end of year	197,894	197,894

The basis of valuation of these assets is set out in Note 1(b) of the accounts and attention is drawn to Note 1(a) titled "Basis of Preparation". Due to the loss of complete historical information following the suspension of mining operations it is not possible to reliably estimate the carrying amount that would have been included had mine assets been carried at original cost less accumulated depreciation.

9. Asset Revaluation Reserve

Asset revaluation reserve	31,276	31,276
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In 1980 mine assets were revalued by K300 million. A majority of the reserve created by this revaluation was distributed to shareholders by way of bonus shares leaving a residual amount as shown in this note that has been carried forward.

<i>Bougainville Copper Limited year ended 31 December 2008</i>	2008 K'000	2007 K'000
10. Other Receivables		
(a) Current		
Sundry receivables	68	86
Interest receivable	61	66
Monies paid to the Supreme Court	12,991	12,991
Withholding tax receivable	4,405	4,405
	17,525	17,548
(b) Non-current		
Other receivables	7,136	7,136
Provision for doubtful debts	(3,227)	(3,227)
	3,909	3,909

Receivables that have been carried forward since the suspension of mining operations have been classified as non-current assets, as the directors consider they are unlikely to be settled within the following year. A significant proportion of these other receivables are receivable from State owned entities, and are considered subject to offset on settlement against amounts owing to the State owned entities included in other payables (Note 6(b)). Long outstanding receivables that are no longer considered collectable have been written off.

The PNG Internal Revenue Commission (IRC) has disallowed BCL's claimed tax depreciation on its Bougainville Assets on the ground 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. The IRC issued garnishee notices under the Income Tax Act to all the PNG banks requiring them to pay any funds held by them for BCL to the IRC. BCL obtained an injunction preventing the execution of the garnishee but this injunction has since been dismissed. BCL appealed the dismissal of the injunction to the Supreme Court. The Supreme Court heard the appeal, and handed down its decision on the 2nd February 2007, and ordered that the funds being held by the court be paid to the IRC. The company believes that its position is supportable and the amounts paid are recoverable (refer also Note 14). 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 and a recognition of any other liability arising from the Court's decision.

11. Ordinary Shares

The issued capital of the company is 401,062,500 ordinary shares fully paid. No change in issued capital occurred during 2008.

	2008 K'000	2007 K'000
12. Fair Value Reserve		
Fair value reserve	(19,127)	86,859

This reserve records movements for available-for-sale financial assets to fair value. Refer Note 1(b)(i) and Note 19(g) for calculations of 'fair value'.

13. Remuneration of Directors

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

B R Alexander***	293	88
R S Burns**	72	75
J E Leahy	85	81
D H McLellan****	-	222
P R Taylor*	1,565	872
I J Williams	54	-
	2,069	1,358

* Mr Taylor is the Managing Director and is employed by the Rio Tinto Group which pays his salary and entitlements. A portion of the benefits are re-charged under the Management Services Agreement. The amount indicated in the above table is the proportion of the remuneration benefits which have been re-charged to the company.

** Amount paid directly to Rio Tinto. See Note 18.

*** Mr Alexander retired on 8th May 2008. He was paid K31,323 in Directors Fees and K261,391 in retirement benefits during this reporting period.

**** Mr McLellan retired on 9th May 2007. He was paid K30,046 in Directors Fees and K212,107 in retirement benefits during the 2007 reporting period.

Bougainville Copper Limited year ended 31 December 2008

14. Contingent liabilities and assets

Bougainville Copper Limited is defendant to an action commenced in the National Court by two plaintiffs seeking declarations that they are the lawful representatives of the mine site and the tailings disposal area landowners and that the Mining Warden is the proper judicial officer to determine what, if any, compensation is due to landowners for the period since the suspension of mining operations. The company has made a provision in its accounts to cover an award of landowner compensation.

The Internal Revenue Commission conducted an audit over several months as reported in 2003's annual report. The audit covered the period from 1990 to 2002 inclusive. The Internal Revenue Commission has issued amended assessments claiming additional tax of K15.8 million and penalties of K26.7 million arising out of the audit. BCL's tax returns for those and all other years were prepared on BCL's considered view of the appropriate tax law. BCL believes its view of the law is correct and accordingly no provision has been recognised for these amounts (refer Note 10). The company has received expert advice on the matter including that of senior Australian legal counsel. The company has lodged formal objections and will strenuously defend the claim.

The directors do not expect the company to suffer any material loss as a result of the cancellation of purchase orders for either revenue or capital contracts.

15. Mining Tenements

The company holds 100 per cent interest in leases: 1, B9, B6, B8, B7, B2, B10, B3; and prospecting authorities: 1, 2, 3, 4, 5, 6, 7A and 7B on Bougainville Island.

16. Holding company

The holding company is Rio Tinto Limited (incorporated in Australia).

17. Segmental Information

The company carried on investment activities during the year. Its assets are the Panguna mine and associated facilities on Bougainville Island, Papua New Guinea, cash and equities listed on the Australian Securities Exchange.

18. Related Party Transactions

Transactions with directors are disclosed in Note 13.

In 2008 the company paid fees of K1,693,957 (2007 K1,918,006) for the provision of office space, staff and related services to Rio Tinto Minerals (PNG) Limited and K3,241,998 (2007 K146,246) for the Panguna restart studies, mine planning data conversion, order of magnitude studies and Directors fees for Mr. R Burns to Rio Tinto Technology and Innovation.

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

	2008	2007
	K'000	K'000
Rio Tinto Minerals (PNG) Limited	201	268
Rio Tinto Technology and Innovation	111	-
Total	312	268

With the exception of the above the company did not enter into any other transactions with related parties.

Bougainville Copper Limited year ended 31 December 2008

19. Financial Instruments

The company's financial instruments include cash and cash equivalents, equity investments, receivables and accounts payable.

The company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, price and interest rate risks in respect of investment portfolios to determine market risk.

The company holds the following financial assets:

	2008 K'000	2007 K'000
Available-for-sale financial assets	98,753	204,739
Held-to-maturity financial assets	8,704	14,291
Total	<u>107,457</u>	<u>219,030</u>

(a) Financial risk management

The company's activities expose it to a variety of financial risks, including the effects of changes in market prices, foreign currency exchange rates and interest rates. The company monitors these financial risks and seeks to minimize the potential adverse effects on the financial performance of the company. The company does not use any derivative financial instruments to hedge these exposures.

(b) Foreign exchange risk

The company undertakes transactions denominated in foreign currencies from time to time and resulting from these activities, exposures in foreign currencies arise. It is not the company's policy to hedge these foreign currency risks. Details of exchange fluctuations and foreign currency amounts are shown in Note 5.

With all other variables held constant, the Company's exposure to this risk is measured by sensitivity analysis, as follows:

	K'000
Held-to-maturity financial assets	
Carrying amount at the balance date	<u>8,704</u>
Change in carrying amount of 'held-to-maturity financial assets' and loss for the year:	
Had PNG Kina weakened by 10% against the Australian dollar:	
Increase in carrying amount and decrease in loss for the year by:	967
Had PNG Kina appreciated by 10% against the Australian dollar:	
Decrease in carrying amount and increase in loss for the year by:	(791)
Available-for-sale financial assets	
Carrying amount at the balance date	<u>98,753</u>
Change in carrying amount of 'available-for-sale financial assets' and fair value reserve:	
Had PNG Kina weakened by 10% against the Australian dollar:	
Increase in carrying amount and fair value reserve by:	10,973
Had PNG Kina appreciated by 10% against the Australian dollar:	
Decrease in carrying amount and fair value reserve by:	(8,978)

Bougainville Copper Limited year ended 31 December 2008

(c) Price Risk

A large amount of the Company's assets are held in shares of "Listed Investment Company's" (see Note 3) listed on the Australian Securities Exchange. The value of these shares is subject to market conditions and the fluctuation in AUD / PGK exchange rate.

With all other variables held constant, the Company's exposure to this risk is measured by sensitivity analysis, as follows:

Available-for-sale financial assets	K'000
Carrying amount at the balance date	<u>98,753</u>
Change in carrying amount of 'available-for-sale financial assets' and fair value reserve:	
Had the share price increased by 10%:	
Increased in carrying amount and fair value reserve by:	9,875
Had the share price decreased by 10%:	
Decrease in carrying amount and fair value reserve by:	(9,875)

(d) Interest rate risk

The Company holds 'Held-to-maturity financial assets' at variable rates, which expose the Company to cash flow interest rate risk. It is not the Company's policy to hedge these interest rate risks.

With all other variables held constant, the Company's exposure to this risk is measured by sensitivity analysis, as follows:

Held-to-maturity financial assets	K'000
Carrying amount at the balance date	<u>8,704</u>
Change in carrying amount of 'held-to-maturity financial assets' and loss for the year:	
Had the share price increased by 10%:	
Increase in carrying amount and decrease in loss for the year by:	66
Had the interest rate decreased by 10%:	
Decrease in carrying amount and increase in loss for year by:	(72)

(e) Credit risk

The company has no significant concentrations of net credit risk.

(f) Liquidity risk

The company aims to prudently manage liquidity risk by maintaining sufficient cash and other liquid assets or the availability of funding through uncommitted credit facilities.

(g) Fair value estimation

The company is not in a position to determine the fair values of its receivables and payables due to the significant uncertainties arising from the suspension of mining operations. The face value of bank balances and short term liquid investments are assumed to approximate their fair values. Equity investments are carried at their fair value, being market price.

Independent Audit Report

Independent Audit Report to the Members of Bougainville Copper Limited

Report on the financial statements

We have audited the accompanying financial statements of Bougainville Copper Limited which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, other generally accepted accounting practice in Papua New Guinea and with the requirements of the Papua New Guinea Companies Act 1997. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is

sufficient and appropriate to provide a basis for our audit opinion.

Basis for disclaimer of Auditor's opinion

The financial report of Bougainville Copper Limited for the year ended 31 December 2008 has been prepared with the inclusion of the Company's mine assets at their 1 January 1991 book value, with a separate general impairment loss 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 1990. As explained in note 1(b) to the accounts, there continues to be considerable uncertainty surrounding the future of the Panguna mine, and the extent of deterioration, damage and pilferage of the Company's assets on Bougainville. 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 or when a reliable market price for the Panguna assets can be determined.

In our opinion, providing for the probable impairment loss from deterioration, damage or pilferage is the appropriate accounting treatment for the actual impairment which will have occurred in the period to 31 December 2008. However, as the actual extent of such impairment can only be established after the Company regains access to the mine site or a reliable market price can be determined, we recognise that, at present, the recoverable amount of the company's assets on Bougainville is not capable of reliable measurement or estimation. Accordingly the impairment provision made by directors in 1991 may eventually prove to be above or below the sum which is necessary to reflect this impairment. In the absence of all the necessary information and explanations we require, and for the reasons set out above, we are unable to form an opinion as to whether or not the impairment provision against the carrying amount of mine assets of K350 million is adequate or not. Accordingly we are unable to form an opinion as to whether or not the carrying value of the mine assets, as disclosed in these accounts, is properly stated.

The directors have established a provision of K22.1 million for compensation, rehabilitation and stabilisation for which the company may be liable. The Company's

Independent Audit Report

Independent Audit Report to the Members of Bougainville Copper Limited

Report on the financial statements

actual liability for these costs is subject to significant uncertainty, and we are unable to form an opinion as to whether the provision is fairly stated.

The mine assets, which represent 60 per cent of the book value of total assets and 67 per cent of the book value of net tangible assets, and the liability for compensation, rehabilitation and stabilisation, are of fundamental importance to the presentation of the accounts. In view of these matters over the carrying amount of the mine assets and the liability for compensation, rehabilitation and stabilisation as set out above, we are unable to form an opinion as to whether or not the financial report gives a true and fair view of the financial position of the Company as at 31 December 2008 and its performance for the year ended on that date.

Disclaimer of auditor's opinion

Because of the existence of the limitation in the scope of our work and significance of the matters described in the paragraphs above:

- (a) we have not obtained all the information and explanations that we have required, and
- (b) we are unable to, and do not express, an opinion as to whether the financial report of Bougainville Copper Limited:
 - (i) gives a true and fair view of the financial position of Bougainville Copper Limited as at 31 December 2008 and its performance for the year then ended; and
 - (ii) is presented in accordance with the Companies Act 1997, International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea.

This opinion must be read in conjunction with the qualification paragraphs above and the rest of our audit report.

Report on other legal and regulatory requirements

The Papua New Guinea Companies Act 1997 requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- i) in our opinion proper accounting records have been kept by the company, so far as appears from our examination of those records;
- ii) with the exception of the matters described above we have obtained all the information and explanations we have required; and

- iii) in conducting our audit we followed applicable independence requirements of CPA Papua New Guinea.

PricewaterhouseCoopers
By: J C Seeto, Partner
Registered under the Accountants Act 1996
Port Moresby
5 March 2009

Directors' declaration

Directors' declaration Bougainville Copper Limited
 31 December 2008

In the directors' opinion:

- (a) the financial statements and notes set out on pages 14 to 26 are in accordance with the PNG Companies Act 1997, including:
 - (i) complying with Accounting Standards, the Companies Act 1997 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors.



Director: Peter Taylor



Director: Robert Burns



Director: John Leahy



Director: Ian Williams

Signed on this 5th day of March 2009.

Corporate Information

Bougainville Copper Limited

(Incorporated in Papua New Guinea)

Registered Office:

6th Floor, Pacific Place,
Cnr Champion Parade & Musgrave Street,
Port Moresby, Papua New Guinea
Telephone: +(675) 3092800
Facsimile: +(675) 3213634
E-mail: info@bcl.com
Website: www.bougainvillecopper.com.pg

Principal Registered Office in Australia:

Bougainville Copper Limited
A.R.B.N. 007 497 869
Level 33, 120 Collins Street, Melbourne, VIC 3000
Telephone: +(613) 92833333
Facsimile: +(613) 92833707

Share Registers:

c/o Kina Securities Limited
2nd Floor, Deloitte Tower, Douglas Street
Port Moresby
Papua New Guinea
Telephone: +(675) 308 7000
Facsimile: +(675) 308 7001
E-mail: kina@kina.com.pg
Postal address: P O Box 1141 Port Moresby,
Papua New Guinea

c/o Computershare Registry Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, VIC 3067 Australia.
Telephone: 1300 805 0505 (in Australia)
+(613) 9415 4000 (outside Australia)
Facsimile: +(613) 9743 2500
Postal Address: GPO Box 2975
Melbourne, VIC 3001
E-mail: web.queries@computershare.com.au
Website: www.computershare.com

Stock Exchanges:

Listed with the Australian Securities Exchange Limited

Auditors:

PricewaterhouseCoopers
P O Box 484
Port Moresby, Papua New Guinea

Bankers:

Commonwealth Bank of Australia
Bank South Pacific

Solicitors:

Allens Arthur Robinson
Gadens Lawyers

Twenty largest shareholders

The twenty largest shareholders as at 5th March 2009 and the number of shares held by each were:

Name and Registered Address	Shares	% of Issued Shares
1 Rio Tinto Limited Melbourne VIC	214,887,966	53.58
2 The Independent State of Papua New Guinea	76,430,809	19.06
3 ANZ Nominees Limited Melbourne VIC	33,930,396	8.46
4 Citicorp Nominees Pty Limited Melbourne VIC	30,789,110	7.68
5 National Nominees Limited Melbourne VIC	8,566,158	2.17
6 HSBC Custody Nominees (Australia) Limited Sydney NSW	7,615,824	1.90
7 J P Morgan Nominees Australia Limited Sydney NSW	2,028,338	0.51
8 Franz Heinrich Rast Bulli NSW	1,700,000	0.42
9 Estate Late James West Auckland New Zealand	1,495,011	0.37
10 Merrill Lynch (Australia) Nominees Pty Limited Sydney NSW	1,078,531	0.27
11 Bell Potter Nominees Pty Limited Melbourne VIC	900,000	0.22
12 The Noble Hope for Construction Pty Ltd Condell Park NSW	700,000	0.17
13 Deep Investments Pty Limited Pymble NSW	629,343	0.16
14 Mr Anthony Patrick Cahill Ascot Vale VIC	453,230	0.11
15 Deep Valley Pty Limited Virginia QLD	377,000	0.09
16 Mrs Francis Claire Fox – Thomas J Beresford Will A/C. Burwood VIC	321,765	0.08
17 Mrs Sumithra Rambukwella Ranaweera Colombo, Sri Lanka	312,500	0.08
18 Customer Company INC London United Kingdom	281,968	0.07
19 Mr Lewis Haswell Finey Fairy Meadow NSW	240,446	0.06
20 Mrs Patricia Anne Allen Greystanes NSW	200,000	0.05

382,938,395 95.48

Corporate Information

Distribution of shares

As at 5th March 2009: The issued shares of the company were 401,062,500 fully paid one kina shares, each carrying one voting right. The number of shareholders was 15,495.

The distribution of holdings of the issued shares was:

		%
1 - 1,000 shares	13,103	84.56
1,001 - 5,000 shares	1,752	11.31
5,001 - 10,000 shares	342	2.21
10,001 - shares and over	298	1.92
Total Shareholders	<u>15,495</u>	<u>100.00</u>

There were 12,044 holdings of shares (77.73 per cent) which do not form a marketable parcel.

95.48 per cent of the total issued shares were held by or on behalf of the twenty largest shareholders.

The substantial shareholders were:

Rio Tinto Limited and its wholly-owned subsidiary Rio Tinto Base Metals Pty Limited 214,887,966 shares (53.58 per cent); Rio Tinto plc has an interest in the same shares through its wholly-owned subsidiaries' (Tinto Holdings Australia Pty Limited, Melbourne, Vic., Rio Tinto Australian Holdings Limited, Rio Tinto Pacific Holdings Limited and Rio Tinto International Holdings Limited, all of London, UK) interests in Rio Tinto Limited and Rio Tinto Base Metals Pty Limited; The Independent State of Papua New Guinea 76,430,809 shares (19.06 per cent).

Applicable Jurisdiction

The company is incorporated in Papua New Guinea and is not generally subject to Australian Corporations Law including, in particular, Chapter 6 of the Australian Corporation Law dealing with the acquisition of shares (including substantial shareholdings and take-overs), but is instead subject to the provisions of the Papua New Guinea Companies Act 1997 and Securities Act 1998.

Distribution of the Benefits

<i>Bougainville Copper Limited year ended 31 December 2008</i>	2008	K million 1972-2008
<i>PNG Government</i>		
Corporate income tax*	-	514.2
Additional profits tax*	-	72.6
Group tax (PAYE)	-	122.2
Customs duty	-	104.1
Miscellaneous	-	10.1
Dividends*	-	167.4
Dividend WHT*	-	97.6
	-	1,088.2
<i>North Solomons Provincial Government</i>		
Royalties (95% to NSPG)	-	61.4
Non Renewable Resources Fund	-	1.8
Other taxes	-	12.0
	-	75.2
<i>Landowners</i>		
Royalties (5% to Landowners)	-	3.2
Compensation	-	35.0
	-	38.2
<i>Non-Government Shareholders</i>		
Dividends net of Dividend WHT*	-	582.1
<i>Employees</i>		
Wages (less PAYE)	-	575.6
Total	-	2,359.3

Not included in the above table are the benefits received by the providers of goods and services to Bougainville Copper Limited. A company survey in 1989 revealed that there were approximately 200 Bougainville based business enterprises dependent largely upon Bougainville Copper Limited's operation. These enterprises employed in excess of 4,000 people prior to the suspension of mining operations.

**These amounts relate to the referable year (i.e. the year in which the amount became due) and hence the cash effect on the PNG economy has a delayed impact.*

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

Statistical Summary

FINANCIAL	2008	2007	2006	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
Earnings (K million)																
Net sales revenue and other income*****	9.0	8.3	7.9	7.4	16.1	11.7	13.0	19.6	18.3	12.4	6.1	10.7	5.5	2.2	1.7	2.2
Operating and other expenses****	9.2	4.9	4.4	5.0	4.7	4.1	4.6	3.8	4.8	5.2	4.8	5.0	4.9	3.6	4.1	5.1
Depreciation*****	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Earnings/(loss) before taxation and exchange gains	(0.2)	3.4	3.5	2.4	11.4	7.6	8.4	15.8	13.5	7.2	1.4	5.7	0.6	(1.4)	(2.4)	(2.9)
Exchange gains/(losses)	(4.6)	0.2	0.2	(0.4)	3.1	0.3	-	-	0.4	0.5	-	-	6.6	9.2	(0.3)	1.5
Earnings/(loss) before taxation	(4.8)	3.6	3.7	2.0	14.5	7.9	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additional profits tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net earnings/(loss)	(4.8)	3.6	3.7	2.0	14.5	7.9	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)
Dividends paid	-	-	-	-	-	8.0	-	-	-	-	-	-	-	-	-	-
Earnings/(losses) retained	(4.8)	3.6	3.7	2.0	14.5	(0.1)	8.4	15.8	13.9	7.7	1.4	5.7	7.2	7.8	(2.7)	(1.4)
Balance Sheet (K million)																
Property, plant & equipment	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9	197.9	198.6	200.1	200.6	200.7	200.7	200.8	201.4
Investments and loans	98.8	204.7	176.6	128.2	121.2	18.9	3.1	-	-	-	-	-	-	-	-	-
Current and other non-current assets	31.1	36.1	38.7	31.7	31.4	119.4	135.4	131.0	114.4	100.7	87.7	85.4	76.0	65.6	56.2	56.8
Total assets	327.8	438.7	413.2	357.8	350.5	336.2	336.4	328.9	312.3	299.3	287.8	286.0	276.7	266.3	257.0	258.2
Shareholders' funds	293.3	404.0	378.2	323.3	316.1	301.6	301.8	293.3	277.5	263.6	255.9	254.5	248.8	241.6	233.8	236.4
Exchange fluctuation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long term liabilities	33.4	33.6	33.7	33.4	33.4	33.4	33.4	33.4	33.5	35.3	6.8	6.8	6.8	6.8	6.8	6.8
Current liabilities	1.1	1.1	1.3	1.1	1.0	1.2	1.2	2.2	1.3	0.4	25.1	24.7	21.1	17.9	16.4	15.0
Funds employed	327.8	438.7	413.2	357.8	350.5	336.2	336.4	328.9	312.3	299.3	287.8	286.0	276.7	266.3	257.0	258.2
PRODUCTION / SALES																
Mined																
Ore and waste removed (millions of tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ore milled (millions of tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ore grade																
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Produced																
Concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contained copper (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Concentrate grade																
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Silver (grams/tonne)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shipped																
Total concentrate (thousands of dry tonnes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Destination:																
Japan (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Asian (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Europe (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
All Other (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Values																
Gross concentrate sales value (before treatment and refining charges, freight, etc.) (K million)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution by:																
Copper (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gold (per cent)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER																
US\$/Kina exchange rate	.3747	0.3636	0.3344	0.33	0.30	0.25	0.26	0.36	0.39	0.48	0.69	0.76	0.79	1.01	1.02	1.04
Average metal prices																
LME copper (US\$/lb)	319.5	323.66	305.50	130.01	79.95	70.65	66.2	82.1	71.4	75.2	105.6	104.0	133.1	105.0	87.0	103.0
London gold market (US\$/oz)	872	691.00	602.00	409.55	363.89	310.14	276.5	280.0	280.0	294.0	335.3	387.0	384.5	384.0	360.0	344.0
Return on shareholders' funds (per cent)	(1.632)	0.888	0.967	0.60	4.6	2.6	2.8	5.4	5.0	2.9	0.5	2.2	2.9	3.2	-	-
Earnings per share*** (toea)	(1.19)	0.895	0.912	0.50	3.61	1.96	2.10	3.93	3.5	1.9	0.3	1.4	1.8	1.9	-	-
Dividends per fully paid share*** (par value K1.00) (toea)	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	-
Number of shares issued at end of year (millions)	401	401	401	401	401	401	401	401	401	401	401	401	401	401	401	401
Number of shareholders at end of year	15,495	15,504	15,698	16,072	16,374	16,519	16,812	17,021	17,260	18,183	18,182	18,041	18,452	18,765	19,189	19,851
Debt/equity ratio	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Workforce at end of year																
Overseas	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
National	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1

Notes: Bonus dividends of 4.0 and 6.7 toea per fully paid share were made in 1979 and 1980 respectively and have been included in dividend figures for those years. *Full year figures: but commercial production commenced 1 April, 1972. **1972 figure is for Bougainville Mining Limited.

BOUGAINVILLE COPPER LIMITED ANNUAL REPORT

1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972*
3.3	80.2	231.6	493.4	415.4	342.7	317.6	310.9	392.9	283.2	296.4	338.7	343.1	225.1	205.3	208.9	193.1	292.6	252.4	95.9
316.6	36.8	181.7	244.8	227.5	223.7	221.5	234.8	228.1	207.2	210.8	174.8	144.1	125.0	126.8	117.5	107.2	92.5	81.8	53.3
-	51.5	47.3	43.9	49.4	47.3	47.6	46.5	47.0	44.2	43.3	43.8	40.7	40.4	36.2	31.1	29.6	28.5	24.8	14.5
(313.3)	(8.1)	2.6	204.7	138.5	71.7	48.5	29.6	117.8	31.8	42.3	120.1	158.3	59.7	42.3	60.3	56.3	171.6	145.8	28.1
0.1	(0.5)	2.5	(2.9)	2.6	2.3	(1.4)	(2.8)	(16.3)	(3.3)	1.1	2.6	3.5	10.3	(0.1)	1.3	2.3	9.5	12.9	(0.4)
(313.2)	(8.6)	5.1	201.8	141.1	74.0	47.1	26.8	101.5	28.5	43.4	122.7	161.8	70.0	42.2	61.6	58.6	181.1	158.7	27.7
-	6.0	25.7	70.0	50.6	28.7	19.0	15.2	46.9	17.3	20.6	39.6	57.5	22.0	13.7	20.3	12.4	49.1	0.3	-
-	-	-	23.2	-	-	-	-	-	-	-	11.6	20.4	-	-	-	-	17.4	-	-
(313.2)	(14.6)	(20.6)	108.6	90.5	45.3	28.1	11.6	54.6	11.2	22.8	71.5	83.9	48.0	28.5	41.3	46.2	114.6	158.4	27.7
-	-	-	108.3	92.2	44.1	28.1	16.0	52.1	10.0	20.1	80.2	106.9	40.1	21.4	26.7	26.7	73.5	81.4	11.0
(313.2)	(14.6)	(20.6)	0.3	(1.7)	1.2	-	(4.4)	2.5	1.2	2.7	(8.7)	(23.0)	7.9	7.1	14.6	19.5	41.1	77.0	16.7
201.5	545.9	595.8	570.0	527.8	550.1	558.5	576.2	594.9	622.8	611.2	610.8	325.4	340.1	352.2	350.4	346.0	352.2	371.7	378.7
-	-	-	2.2	0.7	0.7	0.2	0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-
56.5	64.7	59.5	250.1	260.3	190.1	160.4	152.9	185.3	155.9	148.7	148.4	201.0	125.8	137.1	136.0	129.5	205.6	130.4	73.9
258.0	610.6	655.3	822.3	788.8	740.9	719.1	729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
237.9	551.1	565.6	586.2	586.0	587.7	586.5	586.5	590.9	588.4	587.2	584.5	294.5	317.5	309.7	302.5	287.9	268.4	227.4	146.7
-	-	-	0.2	0.3	(3.2)	(5.9)	(5.3)	(4.7)	(5.4)	1.5	5.1	5.4	9.0	14.6	9.0	11.5	19.1	39.5	24.2
6.8	47.7	46.9	23.7	24.8	48.1	52.4	52.5	51.6	125.6	80.1	25.7	36.2	42.1	53.3	101.7	106.8	121.1	127.5	204.0
13.3	11.8	42.8	212.2	177.7	108.3	86.1	95.6	142.7	70.2	91.2	144.0	190.4	97.4	111.8	73.3	69.4	149.3	107.8	77.7
258.0	610.6	655.3	822.3	788.8	740.9	719.1	729.3	780.5	778.8	760.0	759.3	526.5	466.0	489.4	486.5	475.6	557.9	502.2	452.6
-	-	33.27	89.78	83.53	79.16	73.62	74.40	81.00	76.22	77.56	79.76	75.97	79.05	70.79	58.54	56.40	56.00	56.65	46.75
-	-	18.52	47.69	48.20	47.89	50.07	46.52	47.73	41.74	37.53	37.62	36.17	38.12	34.11	31.21	31.08	30.14	29.14	21.89
-	-	0.44	0.41	0.41	0.42	0.42	0.42	0.46	0.47	0.51	0.46	0.55	0.60	0.61	0.64	0.64	0.70	0.73	0.76
-	-	0.50	0.41	0.43	0.48	0.42	0.48	0.55	0.60	0.59	0.50	0.75	0.82	0.90	0.87	0.80	1.02	1.03	0.77
-	-	224.6	552.0	585.5	586.6	581.8	542.3	636.9	598.6	576.4	510.4	584.7	658.6	615.6	596.8	596.0	640.8	650.2	438.1
-	-	68.7	166.0	178.2	178.6	175.0	164.4	183.2	170.0	165.4	146.8	170.8	198.6	182.3	176.5	172.5	184.1	182.9	124.0
-	-	30.1	30.1	30.4	30.5	30.1	30.3	28.8	28.4	28.7	28.8	29.2	30.2	29.6	29.6	28.9	28.7	28.1	28.3
-	-	31.0	25.1	25.8	27.9	24.7	28.9	28.3	29.3	29.2	27.5	33.7	35.5	36.3	33.9	30.5	32.0	31.6	27.3
-	-	91.2	87.7	86.4	85.9	79.3	81.9	74.4	72.1	73.5	72.2	76.3	79.8	77.0	76.1	71.0	72.3	69.0	69.3
-	-	250.8	570.8	567.6	589.4	560.0	550.8	636.1	599.6	596.2	494.4	586.5	640.9	614.8	605.8	587.0	665.8	625.2	434.4
-	-	40.2	45.4	32.6	43.2	44.1	51.9	47.0	46.6	49.8	54.5	56.0	51.0	54.8	42.3	42.7	51.5	54.8	48.1
-	-	34.3	23.4	33.5	15.4	15.7	12.3	11.0	6.6	3.3	4.1	3.7	3.2	1.6	1.7	1.7	0.0	0.0	0.0
-	-	25.5	27.7	33.9	41.4	40.2	35.8	42.0	45.1	45.4	41.4	40.3	42.0	39.9	46.5	53.8	41.9	37.8	49.4
-	-	0.0	3.5	0.0	0.0	0.0	0.0	0.0	1.7	1.5	0.0	0.0	3.8	3.7	9.5	1.8	6.6	7.4	2.5
0.3	260.0	561.0	489.4	417.9	381.3	373.4	454.6	343.6	355.2	386.3	407.0	294.5	266.3	260.3	219.4	307.4	270.8	118.8	
61	68	68	60	54	61	53	52	51	54	51	60	64	66	74	69	74	83	83	
38	31	30	38	44	37	45	46	47	44	46	37	34	32	24	29	25	16	16	
1.05	1.05	1.17	1.16	1.10	1.03	1.00	1.11	1.19	1.35	1.48	1.50	1.41	1.42	1.27	1.26	1.31	1.43	1.42	1.19
106.0	119.8	129.0	117.9	81.0	62.3	64.3	62.4	71.9	67.1	79.0	99.2	89.8	61.9	59.3	63.6	55.9	93.3	80.9	48.6
362.2	382.8	381.0	436.8	446.7	367.9	317.3	360.8	423.5	375.6	459.9	614.7	304.7	193.5	147.8	124.8	160.9	158.7	97.3	58.2
-	-	-	18.5	15.4	7.7	4.8	2.0	9.3	1.9	3.9	12.2	28.5	15.1	9.2	13.7	16.0	42.7	69.7	18.9
-	-	-	27.1	22.6	11.3	7.0	2.9	13.6	2.8	5.7	17.8	20.9	12.0	7.1	10.3	11.5	28.6	39.5	6.9
-	-	-	27.0	23.0	11.0	7.0	4.0	13.0	2.5	5.0	20.0	26.7	10.0	5.3	6.7	6.7	18.3	20.0	2.7
401	401	401	401	401	401	401	401	401	401	401	401	267	267	267	267	267	267	267	260**
19 982	20 532	21 287	21 966	22 650	24 680	27 117	30 435	32 834	36 486	38 027	38 326	38 750	40 935	43 820	50 082	54 129	55 558	45 353	46 726
-	-	-	.002/1	.004/1	0.05/1	0.06/1	0.09/1	0.10/1	0.20/1	0.17/1	0.05/1	0.15/1	0.19/1	0.37/1	0.40/1	0.44/1	0.52/1	0.72/1	0.62/1
6	13	330	610	699	706	704	749	751	756	801	877	851	855	853	858	942	980	929	971
6	10	1 987	2 950	3 025	2 993	2 948	2 987	3 058	3 174	3 377	3 416	3 314	3 243	3 063	2 989	3 094	3 242	2 915	2 594

***1972 to 1979 figures are after adjustment for the 1980 capital reconstruction

****1989, 1990 and 1991 include extraordinary items of K26.1 million, K28.7 million and K309.2 million respectively

*****1990 includes extraordinary items of K76.3 million for insurance litigation settlement and K51.5 million for depreciation.

