

Shareholder Questions and Answers – AGM 2009

1. In May 2007 the board of BCL announced a 3-year-plan that had been developed with the target of re-opening the Panguna mine. Why has that agenda never been addressed to the shareholders?

The rolling 3 year Plan is a management tool and not for release to the general public or shareholders. Although management has been able to complete several of the tasks contained within the plan, it is currently unable to pursue those items which require access to the mine, as this is currently not available

2. The European Shareholders would be pleased if the board could tell us which items of that agenda have been accomplished to date and which points are still pending.

Those items that can be done remotely have been completed, including the Order of Magnitude study of which further results were released at the Annual General Meeting, a review of the exploration potential and part of the assets stock take.

Items that require access such as landowner reconciliation and awareness, environmental and safety studies, full asset stock take, pre-feasibility studies have yet to be completed

3. In May 2008 the BCL board announced the implementation of a professional service provider to improve the company's communication work. On our related enquiry to the board last year you admitted of having contracted a public relations agency. Until now the ESBC are not aware of any improvement of the company's communication work. Therefore we ask that the board communicate the name of the PR Company taken in charge and an overview on the steps they have taken for improving the BCL communications. We also wish to know the exact amount of money you spent on this communication work?

The company has contracted a local organisation to assist with communications, as stated at the annual general meeting, changes to the web site will be introduced as appropriate. However the main focus of the communications strategy has been pre-emptive on negative press items, and the Board believes this has been successful. It is not the company's policy to make public information of which has the potential to cause confusion and unrealistic expectations. The situation on the Island with the landowners and other Bougainvilleans is still quite fragile and media comment promoting the reopening the mine has the potential to adversely affect the company's vision of returning to active mining and exploration.

4. In this context the European Shareholders claim again the implementation of a newsletter service for shareholders and other people interested in BCL. This service could easily be offered on the BCL website. Why, until now, you did not make any efforts in this matter?

As an Australian listed company Bougainville Copper must comply with the continuous disclosure requirements of the ASX. All material information concerning the company will be released through the ASX.

5. What makes the board precisely to communicate to a greater public in Bougainville that mining will help to improve the conditions of people's daily life and that the money earned by mining can be the only solid financial foundation for independence in the future? Even Bougainville's independence might be endangered if it does not receive any revenues from mining.

The company is in continuous communications with members of the Autonomous Bougainville Government and senior Bougainvilleans and Landowner representatives.

6. On February 11th, 2009 BCL published first results from the Order of Magnitude study. BCL announced also to be willing to publish further information from the study made by the Hatch Company step by step in the future. So, when do you intend to publish these further results or do you even intend to publish the complete study?

Further information was today released at the annual general meeting; it is not intended to provide any further details at this stage.

7. In February 2009 there was a first meeting between Peter Taylor and the new President of the ABG, Mr. Tanis. Further contacts followed up. What results came out from these meetings?

Exchanges between the BCL Chairman and the ABG President are conducted on a confidential basis. The meeting was extremely positive and the Chairman expressed his support for the priority goals of the President being landowner reconciliation and weapons disposal.

8. Will BCL give funds for reconciliation in Panguna and will BCL even assist to the ceremonies as well?

BCL has assisted and will continue to assist as appropriate.

9. When does BCL expect the No-Go-Zone to be lifted and in consequence to send a team of experts to the ground in Panguna? Have you already negotiated this issue with President Tanis?

The company is not in a position to give an answer as only the Landowners, the Bougainvilleans and their government can effectively resolve this situation.

10. When does the BCL board expect the BCA negotiations to commence and the reviewed BCA to be signed?

BCL is hopeful that the review will commence this year and has expressed its willingness to engage in negotiations as soon as possible, The review requires the National Government, the ABG and the Landowners participation. These parties have not yet agreed to a time table.

11. When does the BCL board finally expect the promised assignment of shares from PNG to Bougainville to be accomplished?

This is an issue to be determined between the National Government and the Autonomous Bougainville Government. BCL does not control the dealings in its shares.

12. Under the aspect of increasing positive news concerning the re-opening of the Panguna mine in the near future, the European Shareholders are convinced that it is absolutely needed now that the chairman and some of his specialized colleagues in the board have to move to PNG soon. Especially the chairman should be present on the ground to guarantee permanent lobbying. Please give us your opinion on that proposal.

The job of government relations and providing specialised advice is the responsibility of management. Additional resources will be sourced as and when needed. As there is no access to the site additional expenditure on extra resources is not warranted at this stage. It should be noted that Chairman visits PNG very regularly and meets with senior Bougainvilleans, business leaders, Government Bureaucrats, Diplomats and National Government Ministers.

13. The European Shareholders have been informed by serious sources that there are still huge quantities of ore in stock in Panguna. How long would it take to produce first concentrates from that ore once the decision of re-opening the mine is confirmed? By using this ore stock BCL would be finally able to produce copper, gold and silver after more than twenty years. How much do you estimate the cash investment for that and which benefit could be taken according to actual market prices?

In the presentation to the Annual General Meeting today a projected time table is given.

14. Did the board discuss the economic situation of the former freedom fighters or other combatants? Do you intend giving them jobs in the mine to avoid any dissatisfaction in the future?

The Board does not discuss its deliberations publicly. However if the mine is reopened the company will give priority to employing locally, based on qualifications to do the jobs. This will hopefully include ex-combatants and others.

15. Does the board dispose of recent satellite pictures of the Panguna mine and its surroundings (Jaba River etc.) to get an idea of the situation in the pit and to estimate the environmental damage?

Management utilises all resources that are available to keep up to date on the situation on Bougainville and at Panguna.

16. Do you have ideas or are there already plans on how to repair the environmental damage caused by the unprepared closing of the mine in 1989? Have you any idea how much funds are needed for repair and rebuilding of the environment?

Access to the site is required before an assessment of the safety and environmental issues can be made. The company will work with the ABG and the landowners addressing environmental concerns.

17. Are there already plans and calculations on projects in infrastructure (roads, harbour, airport, lodging for employees etc) that have to be implemented in the future?

Yes, the presentation today addresses these matters.

18. Are you aware about the loss in the BCL investments due to the worldwide financial crisis? (Please report on the end of first quarter 2009)

Yes, BCL has not been immune to the global situation, The Annual Report and today's presentation addresses these matters.

19. Can you please explain to us the actual situation in the tax dispute with Papua New Guinea?

The matter is addressed in the Annual Reports and on the web site.

20. Within the European Shareholders at least three investors are represented based on their shareholdings, fulfil the criteria of being a Top 20 shareholder of Bougainville Copper. We would like to ask the question if there is any reason why the board does not make sure, that all shareholders, regardless if they are domiciled in Australia or Europe, can be registered in an accurate way in the share register via Compushare? The ESBC invites the board to give the necessary instructions to Compushare, custodians and banks, in order to ensure an accurate registration of all shareholders worldwide.

BCL is listed only on the Australian Securities Exchange and the legal owners of those shares make up the register, this is in accord with Australian Company law and the listing rules. BCL has no power to alter these rules.

21. Despite bright future prospects of our share which currently is highly undervalued. Could you be so kind to explain, why the board members are invested in Rio Tinto but not in Bougainville Copper? Is the board not convinced by its work and prospects of the company?

Directors make their own individual decision on what shares they buy. There are “insider trading” laws that some Directors may consider a disincentive to owning shares in a company they also manage.

22. Against the background of the worldwide economic crisis we are very curious to get an explanation, why the board calls for higher wages, despite the fact that the board so far has done nothing or just as little to increase the share price.

Under Rule 13.4 of the company's constitution, the non-executive directors of the company are presently entitled to be paid out of the funds of the company an amount of remuneration which in any one year does not exceed in aggregate \$200,000 or such other amount as may be determined by ordinary resolution from time to time. The existing limit has remained unchanged since the 2002 Annual General Meeting of the company when Rule 10.2 was amended to increase the directors' fee pool to \$200,000.

Included in the directors' fee pool are director's fees, statutory superannuation and fees from service on the Audit Committee. Excluded are reimbursements of traveling and other expenses incurred on company business and payments made under Rule 14 of the company's constitution (directors' and officers' insurance premiums and indemnities against liability incurred in discharging their duties as directors, to the extent permitted by applicable law).

The directors' fee pool is used to pay the non-executive directors, it is not the amount payable to each non-executive director, and may not be fully exhausted each year. The details of the remuneration of non-executive directors is set out in note 11 of the annual report, but the fees are set to reflect the appropriate level of remuneration required to attract and retain directors with the necessary skills and experience for the Board.

At the meeting of the Board held on 22 August 2008, it was resolved to increase non-executive director's fees. The directors' fees approved by the Board are \$55,000 per annum and an additional \$10,000 for members of the audit committee. The total per annum with three non-executive directors is \$185,000 so the fee pool is insufficient to support any more non-executive directors or anything more than a modest increase in fees for the current three non-executive directors.

To give the company more flexibility to appoint additional directors' and to raise fees when needed to remain competitive it is proposed to increase the fee pool to a maximum of \$500,000.

23. Based on the outstanding performance and the fact that daily life in Port Moresby has become more risky we would like to call for a significant increase of the salary of company secretary Paul Coleman and to grant him a bonus. What does the board think about this?

Paul Coleman is an employee of the Rio Tinto Group and as such his terms and conditions of his employment and remuneration package is controlled by Rio Tinto guidelines. There is an annual review and bonus process within the Rio Tinto Group.

24. The ESBC has monitored for some time that the share price artificially gets depressed with sell orders, which are significantly below the bid price. Furthermore we have noticed that the market maker at the ASX does not include buy orders in his order book or includes buy orders only with an unauthorized cut of the limit with the effect that the order does not get executed. What is the board willing to undertake, that such fraudulent behaviour will not occur again?

BCL is not aware of any ‘fraudulent’ activity with respect of its shares. If a shareholder has evidence of fraud it should be raised with the ASX and the Australian Securities and Investment Commission.

25. What is the board’s estimation on cash needed for the reopening of the mine?

In the order of Magnitude study results that were presented today the capital cost to restart would be in the order of US\$3.8 billion.

26. What would be the cash requirement split by years?

We are unable to answer that at this stage.

27. What is the minimum cash amount that is necessary to start mining again before the cash flows of the ongoing business would be sufficient to fund capital needs?

US\$3.8 billion.

28. Have there been any talks since May 2008 with Rio Tinto or external parties like the World Bank about the financing?

No.

29. Which forms of a capital increase are possible according to the articles of association? Would the existing shareholders be entitled to receive subscription rights? Would the issue of a convertible bond be possible as well?

The company’s constitution has no restrictions on how capital can be raised. Fund raising will be a matter considered at the bankable feasibility stage.

30. Please give us further information on the names and the situation of the other seven leases hold by BCL in the order of weight and feasibility.

BCL has one mining lease and 7 Exploration Licences. Targets have been identified within these tenements but no exploration is possible while the moratorium on exploration is in place and an agreement with landowners and the ABG is yet to be achieved.

31. Would it be possible in financing one or some of the seven leases which will then be placed into a joint venture and the proceeds will be used to restart the Panguna mine?

It is very unlikely that any money can be raised through an exploration joint venture other than for exploration.

32. The European Shareholders explicitly welcomes the work of the Bougainville Copper Foundation. We get increasingly concerned by the rising number of illiterate young persons according to recent newspaper articles. Does the board think it is appropriate to work together with the relevant AGB/PNG authorities in order to discuss how the Bougainville Copper Foundation can contribute to an improvement of this situation?

The Foundation is independent of BCL. It continues to sponsor many Bougainvilleans at tertiary level and High School, and assists were it can with other educational institutions on the Island, The Foundation does communicate regularly both the ABG, the National Government and other aid agencies to determine the most effective way to provide assistance.