



BOUGAINVILLE COPPER LIMITED

INCORPORATED IN PAPUA NEW GUINEA ARBN 007 497 869

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Press Release

1 May 2012

Company Announcements Office
Australian Stock Exchange Limited

Dear Sir/Madam,

Annual General Meeting – 1 May 2012 Bougainville Copper

The attached material will be presented at the Annual General meeting in Port Moresby, Papua New Guinea today.

This presentation will in due course be posted on the Bougainville Copper website www.bougainvillecopper.com.pg

Yours faithfully,

Paul Coleman
Company Secretary

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Chairman's Annual General Meeting Statement 2012

Ladies and Gentlemen, I am Peter Taylor, your chairman, and I thank you for joining us at this 45th Annual General Meeting of Bougainville Copper Limited.

I will now present my report on the year 2011.

I can confidently say that the year that has passed since we last met has given me more reason for optimism about the future of this company than any year out of the previous twenty.

There are activities on foot in several areas that can positively assist Bougainville Copper Limited make a return to profitable mining. Some of these are within the control of the company itself, others less so.

The most beneficial change has been the focus of Panguna Landowners and other Bougainvilleans on the re-development agenda, and the initiatives they have taken to contribute to momentum.

I will deal with these positive developments shortly, after a report on other items of importance to the company and its shareholders that are recurrent, year on year.

In this report, I would like to address

- The results
- Some significant changes on Bougainville
- Strategy and Development
- The year ahead

First a summary of the results as contained in the Annual Report.

For the year ended December 31 2011, a loss of K3.7 million has been recorded, compared to an anticipated loss of K7.3 million. Overall, income and costs were generally within budget, admin and exchange losses being over, offset by a similar amount under budget for BCA renegotiation. Interest of K2.2m earned on Court held IBDs has been brought into account this year.

Due to the loss recorded and the need to preserve cash for future development the company will not pay a dividend.

The company has sufficient funds to cover its recurrent expenditure under the current plan and is debt free.

Investment Strategy

BCL's liquid assets continue to be cash and Australian equities. The Australian equity market has performed disappointingly compared with the previous reporting period resulting in lower returns on investments. It is intended to continue with the current investment strategy, for as long as the Investment Committee deems this to be the best option, or until such time as equities need to be sold to fund mine planning and development. It is expected that income for 2012 should improve in terms of percentage returns but the size of the investment portfolio has been reduced as a result of the tax dispute discussed in a moment, and will continue to reduce to meet future expenditure.

The company has sufficient funds to carry it through to a pre-feasibility study in the medium term. The market has been kept aware of the company's wish to raise development funds as and when the need arises.

Tax Dispute Mediation

The ongoing tax dispute with the Internal Revenue Commission of PNG went to a court-initiated mediation late last year, which, while it did not come to a final agreement, has taken us closer, I believe, to a negotiated outcome.

As has been reported in previous years, the company lodged formal objections to a reassessment by the Internal Revenue Commission of BCL's claims for losses due to the suspension of mining operations in 1989, and for depreciation of its remaining mine assets.

The company paid approximately K13 million to the IRC during the 2007 year (which is close to the claimed unpaid primary tax). A further K48.8 million was paid to the IRC during the 2010 year under the terms of a court-sanctioned arrangement to place the IRC in possession of funds sufficient to pay all outstanding Assessments, penalties and interest claimed by the IRC. This arrangement also ensures that those funds are available for return to BCL in the event that the company's challenges to the assessments are ultimately upheld by the courts. This money is invested and is bearing interest.

The principal and interest will be returned to the company should it prevail in the substantive tax appeal.

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BCL's appeal has completed discovery and is waiting on directions aimed at fixing a trial date.

It is possible that further mediation will produce a settlement. If not the company will rely upon the accounting and legal advice it has received and test the issues in court.

Litigation in the United States

For a decade now I have been reporting on 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. BCL is not a party to the litigation. The process of allowing a foreign court to decide local matters sends a negative message about PNG and Bougainville and is not helpful in attracting investors. Most recently Rio Tinto has asked the US Supreme Court to decide on the question of jurisdiction.

Corporate Governance

BCL has governance reporting obligations to the Australian Securities Exchange (ASX) and internally to Rio Tinto Limited. A statement on BCL's compliance with the ASX Corporate Governance Principles and Recommendations is contained in the Annual Report. In addition BCL responds to the Rio Tinto Limited internal control questionnaire which incorporates Rio Tinto's comprehensive range of policies including safety, environment, financial management and many other risk management matters.

Safety

Rio Tinto is particularly safety conscious and has in place a comprehensive set of safety standards to ensure that 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.

Risk Management

The full Board of BCL participates in facilitated risk analysis. The aim of these exercises is to identify risks and opportunities for the company and allocate responsibility for each to a member of the management team. The company has also undergone a number of audits to ensure compliance with its own policies and those of Rio Tinto.

Bougainville Copper Foundation

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, as in previous years, the Foundation has more than 100 Bougainville students on scholarships. It also undertakes "special projects" on a needs basis with the emphasis being on education, peace and good governance. The Foundation is proud of its achievements and those of its former scholars who are contributing to the development of Bougainville. The company is also sponsoring the Don Vernon post graduate scholarship to Queensland University. The scholarship honours Don Vernon who was

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a past Chairman of BCL and the founder of the Australia PNG Business Council. The scholarship should add to the considerable weight of knowledge currently possessed within the ranks of Papua New Guinea mining professionals, and we are proud of the initiative.

And now, as I indicated earlier, I can report on some other positive events which have a bearing on this company and its vision to return to profitable mining.

Significant events, beginning on Bougainville

There are many positive developments to report from the Autonomous Region of Bougainville during the year in question.

The relationship between President John Momis, his government, and the Board and management of BCL remains cordial and engaged, including the invitation for company representatives to make further visits. President Momis has stated his support for the re-opening of the mine, and the momentum which has produced landowner elections and an increased focus on the re-start agenda is in considerable part due to the efforts of the President and members of his cabinet.

The World Bank initiative aimed at helping Bougainville develop its mining sector continues to be productive, directed towards increasing community benefits from all forms of mining, increasing the technical capacity to regulate mining activity, and thereby help facilitate the transfer of mining powers to Bougainville. This will be an important step because regulatory certainty is needed before a decision to mine will be made.

Ideally the Bougainville mining regime will not be radically different to the current system so a smooth transition from the old regime to the new should be possible. It is noted that the ABG Department of Mining is advertising for new technical staff.

The combined landowner groupings at Panguna have formed and activated the Panguna Joint Supervisory Committee. One of its first achievements was an endorsement of the invitation to President Momis to visit Panguna, to be followed by an invitation to BCL senior management to also visit.

This Committee has also worked on an agenda of issues to bring to the table when negotiations for future operations begin. This is another positive development.

The improved world economic demand for minerals continues to drive the company's largest shareholder, Rio Tinto Limited, into a new growth phase. Rio Tinto Exploration has applied for and has been granted exploration licences in PNG, the first such grants of licences since the mid 1990s. This is a good indicator that Rio Tinto is looking to be an active participant in PNG's future mineral development. Rio Tinto continues to assist BCL with world class technical expertise and management. Visits to PNG by senior Rio decision makers have occurred.

The Australian Government continues to be supportive of Bougainville, including the provision of senior advisors to President Momis and the ABG. The Australia PNG Business Council is active in maintaining a good relationship between Australia and the people of Bougainville. I am currently the president of that Business Council

Increasingly, Bougainville has its place on the global map of resource development opportunities.

Bougainville Copper Agreement

Several new developments have occurred which should help facilitate the re-negotiation of the Bougainville Copper Agreement.

To make things clear, the Bougainville Copper Agreement is an act of the PNG national Parliament, and as such can only be modified or repealed by the Parliament.

However, it is recognised by all stakeholders including BCL that the Agreement was drawn up in times and circumstances that differ from those prevailing today, and that significant changes need to be made to accommodate the views, rights and aspirations of all stakeholders including the landowners and the people of Bougainville.

There is widespread agreement today that Bougainville's economic future needs mining if it is to be able to fund services for the people from its own resources, as well as address future opportunities for economic and social development.

A re-commencement of mining at Panguna cannot take place unless all parties: the Landowners, the Autonomous Bougainville Government, the National Government of PNG, and BCL, are acting in close accord, now and into the future.

Funding and sovereign risk assurance for the project will require a united effort. There will need to be a fair and stable regulatory regime that gives investors the confidence needed to commit to a project that will cost in excess of US\$3 billion.

It is pleasing to note that Landowners and others in nine areas most closely affected by the mine's operations, including Panguna, the tailings areas, Arawa, and the road and port leases, have all but completed the formation of legally-based associations capable of providing genuine representation to the process of reviewing the Bougainville Copper Agreement. The process of incorporation, which involves both legal and customary commitments, is most welcome, and should bring us closer to the capacity required to review the BCA to the benefit of all stakeholders. It is a process conducted by the Landowners themselves with the support of the Autonomous Bougainville Government and President Momis.

Prime Minister Peter O'Neill has confirmed in the Parliament that BCL has, by right of the BCA, permits to operate at Panguna for a further 21 years from 2011. There are also encouraging indications that funding for Bougainville and the drawing down of powers to the ABG including the power to license and regulate mining will be invigorated under his government.

As we meet today, considerable work is already underway in up-dating the Order of Magnitude Study which I informed you of in 2009.

This is a technical study receiving inputs from a large number of experienced and qualified people, aimed at giving us numbers to firm up and underpin the assumptions that will be taken to a feasibility study.

Contributors to this major exercise include people with expertise in Geology, Business Planning, Environment, Tailings Management, JORC compliance and other skills and capacities drawn from within Rio's expertise. Members of your Board are participating, as well as key people from the team that evaluates new projects for the Rio copper group. So our assets are getting a fairly rigorous and helpful re-evaluation, exposing our potential operation to the matrix of current prices and costs

Also planned for this year is a flow of information for Landowners to keep them abreast of the company's intentions and planned activities. It needs to be stressed that we want our host community to be informed at every step of the process, and this means providing them with plenty of information.

The next technical work, a pre-feasibility study on reopening the mine, will be very expensive so certainty is needed that a workable mining regime and conditions will be put in place before committing the funds. There will be some ongoing studies to provide information for the renegotiation of the Bougainville Copper Agreement, and some of those studies will also be relevant to mine redevelopment.

This year John Leahy retires as a director and I would like to put on record my thanks to John for his long term support for BCL both as a director and before that as a partner of PricewaterhouseCoopers. John's retirement as a director does not, I hope, mean he will not be willing to assist BCL in the future. If, as I hope, the current redevelopment plan is achieved there will be the need for expert assistance, particularly from those who have experience with PNG and Bougainville.

It is possible that some further remediation work will be carried out on site with the co-operation of landowners, to make areas safe whether mining proceeds or not. President Momis has been proactive in assisting the company carry out safety work. Again, the Landowners will be informed and involved as appropriate.

The vision to return to active exploration and profitable mining remains and, I am pleased to say, with the active support from local stakeholders to which I have earlier referred.

We face the coming year with enthusiasm for the tasks ahead, and anticipate good progress toward the vision of reopening the mine. We have many initiatives in place, we believe we are ready to go, we are engaged with the ABG and the Landowners, and we recognise that to a large extent, the time table rests in their good hands.

Thank you for your attention to my report, and I am now open to your questions.



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Bougainville Copper Limited

45th Annual General Meeting



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45th Annual General Meeting

Chairman's Report

Agenda

- **results**
- **significant changes on Bougainville**
- **strategy and development**
- **the year ahead**





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Results

**Net loss K3.7 million
(planned loss K8.7 million)**

- **operating expenses in line with budget**
- **tax dispute interest**

Results

- dividend policy
- sufficient funds
- debt free



ASX

AUSTRALIAN SECURITIES EXCHANGE



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ASX

AUSTRALIAN SECURITIES EXCHANGE

Investment Strategy

- disappointing Australian equities performance
- 2012 improved percentage returns
- size of portfolio reduced by tax case



Mediation on matter of additional tax and penalties, ongoing before the Court

- K13m paid to IRC in 2007
- K48.8m paid in 2010
- funds invested and bearing interest





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Litigation

- case brought in a US court
- BCL not a party to the litigation
- mediation not believed possible
- US Court of Appeal to decide next step



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Corporate Governance

- **reporting obligations to ASX and Rio Tinto**
- **compliant with ASX**
- **compliant with Rio Tinto's policies and controls**



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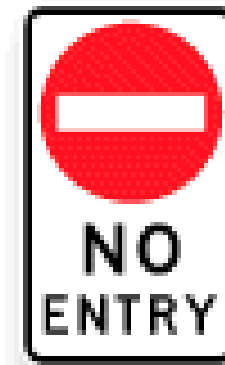


Safety

- Rio Tinto particularly safety conscious
- safe working environment
- employees and contractors in compliance
- BCL in compliance with Rio Tinto safety policy

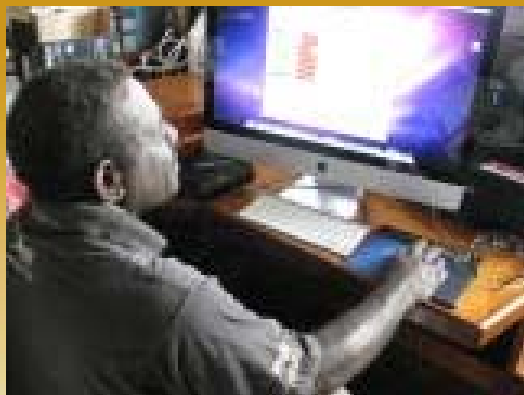
Risk Management

- facilitated risk analysis
- identify risks and opportunities
- allocate responsibilities
- audits to ensure compliance





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Bougainville Copper Foundation

- **independent, funded by BCL**
- **more than 100 scholarships
in 2011**
- **former scholars contributing
to Region**
- **Don Vernon Scholarship**



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Significant Events

- **Good relationships**
- **President leading consensus for re-opening**
- **World Bank capacity building continues**
- **Panguna landowners making a united effort**

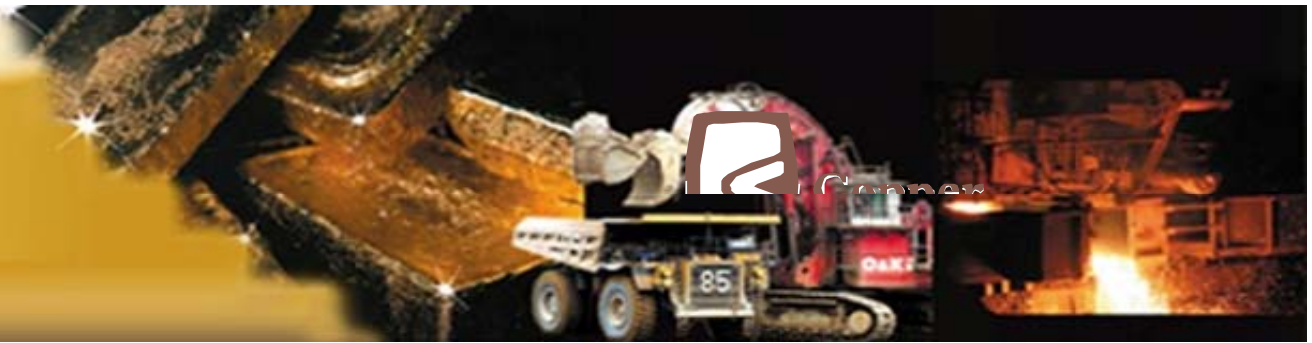
Significant Events

- improved world demand for minerals
- new Rio Tinto exploration initiatives in PNG
- Australian Government supportive of ABG



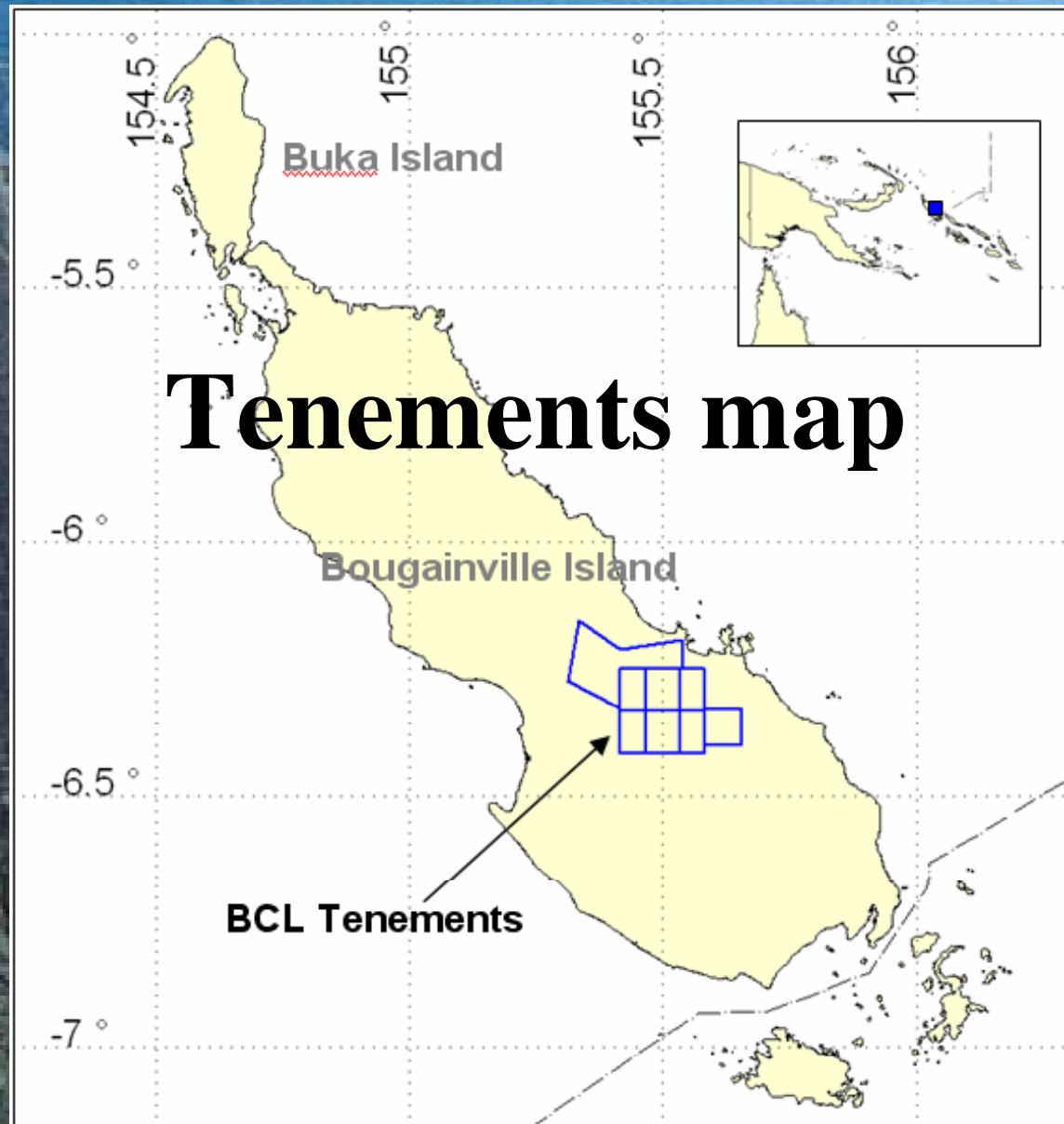


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Bougainville Copper Agreement

- **changed circumstances, provide certainty**
- **very different from the last one**
- **landowners and ABG to have major inputs**
- **BCL's operating rights confirmed**





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Issues for 2012

- landowners to be provided with information
- pre-feasibility studies very expensive
- ongoing studies to provide information for BCA re-negotiation



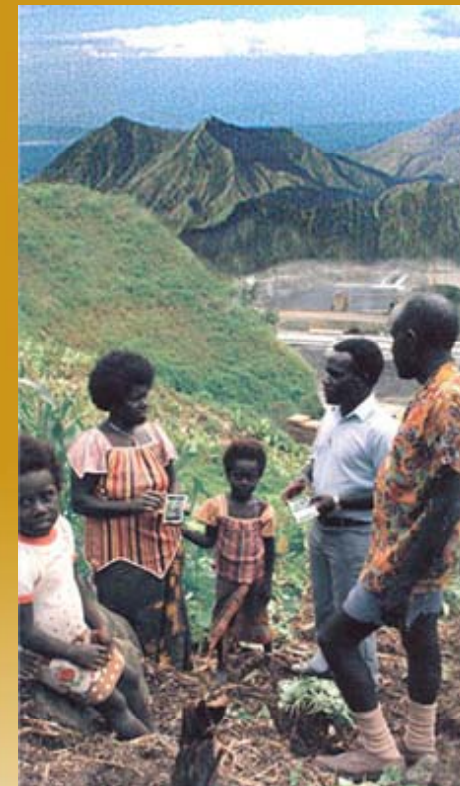
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Outlook

- further remediation work possible, with access
- landowners involved and informed
- vision remains to return to active exploration and mining
- further good progress anticipated





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44th Annual General Meeting

Chairman's Report



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45th Annual General Meeting