Chairman's Supplementary Statement 2006

Results

On 1 January 2005 accounting standard IAS 39 came into effect. The new standard has had a major impact on how the company reports its results. This is because unrealised gains on the company's share portfolio are disregarded for the purpose of assessing net profit. BCL has a substantial share portfolio which has increased in value over the reporting period in line with the rise in the ASX main index. Had the new standard not been introduced the company would have declared a profit of over K17 million. Applying the new standard the declared net profit for the year ending 31 December 2005 is K100,000.

Notwithstanding the impact the new accounting standard has had on net profit the Board intends to continue with its policy of maintaining the majority of its liquid assets in Australian equities and predominantly in listed investment companies whose combination of large diverse share portfolios and low cost of operation suit BCL's need for liquidity and security.

I remind shareholders that there was a K17.2 million gain in the value of investments and this gain has been credited to shareholders funds.

Bougainville Assets

There have been media reports in recent months speculating on the future of the Panguna mine. Panguna is still a 'no go zone' for the company so any talk of reopening the mine or even accessing the mine site is premature. The National Executive Council has agreed to invite the company and Bougainville stakeholders to participate in a 'renegotiation' of the Bougainville Copper Agreement (BCA). The BCA is an agreement between the National Government and the company that sets out the respective rights and obligations of the parties. It has the force of law pursuant to the Bougainville Copper Agreement Act. Therefore any amendment to the agreement requires an amendment to law and the formal renegotiation process is mandated. The renegotiation process has the potential to resolve a number of outstanding issues between the parties and set the framework for the future of the Panguna mine. It is neither sensible nor practical to undergo the renegotiation process without involving both the Autonomous Bougainville Government and landowners. Both have been invited to participate.

Separately the National Executive Council has agreed to examine lifting the moratorium on exploration on Bougainville. BCL has the only granted exploration titles on the Island but there has been a long standing agreement that it will not seek to carry out exploration on those tenements while the moratorium is in place. There is no guarantee that the National and Bougainville Governments will agree to lifting the moratorium in the short term. Nonetheless BCL is undertaking a study of its exploration data so it will be prepared to make decisions in the best interests of its shareholders if and when the moratorium is lifted.

Tax Claim

In the annual report I explain in detail the outstanding tax dispute. I will just repeat here that the company has appealed against the assessments and is waiting for the court to fix a date for those appeals to be heard.

Year Ahead

There is reason to be optimistic that the proposed review of the BCA will provide all parties with positive outcomes. It presents an opportunity to agree resolution of a number of past issues that are creating uncertainty about what can be achieved for Bougainville and the company. It needs to be realised that Bougainville may decide that it does not want mining in the short term.

Another issue that will impact any future exploration and mining investment on Bougainville will be the regulatory and fiscal regime that exists once the National and Bougainville Governments have determined power sharing arrangements under the new Bougainville constitution. My understanding is the Bougainville constitution allows the Bougainville Government to assume primary responsibility for mining in the province once it has the capacity to do so. I suggest there will be no major resource investment on the Island until there is certainty in the regulations that govern investment and unrestricted and safe access to site. It is another reason not to expect any quick decision on Panguna's future.

I wish to place on record my appreciation of the efforts of the staff of Rio Tinto Minerals [PNG] Ltd, which manages the day to day affairs of the company from its Port Moresby office.

I would also like to thank my fellow directors for their support and guidance during the year.

This year Mr. Bruce Alexander retires by rotation. Mr. Alexander has made a significant contribution to the BCL over several years. He has offered himself for reelection, which I support. Mr. Rob Burns joined the Board at the beginning of this year. As an appointee to the Board he retires at this meeting. Mr. Burns is a senior Rio Tinto executive with vast technical experience, including at the Panguna mine. Mr. Burns has offered himself for re-election. I also support the election of Mr. Burns to the Board.

Peter R Taylor
Chairman & Managing Director

Tuesday, 2 May 2006