

Regulatory Compliance Policy

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1. Introduction

This is the regulatory compliance policy (Compliance Program) for Bougainville Copper Limited, a company incorporated in Papua New Guinea A.R.B.N. 007 497 869 (Company). This Compliance Program is designed to assist the Company to successfully meet its obligations in complying with relevant laws and organisational standards, as well as to identify and uphold standards of good corporate governance, integrity, community standards and ethics.

In order to achieve this, the Company has adopted this Compliance Program and it is crucial that Directors, key management personnel and employees understand and are mindful of this Compliance Program and the commitments that it sets out.

The designated compliance officer shall be the Company Secretary.

2. Purpose

The Company is committed to compliance with all applicable laws, regulations, codes and organisational standards.

The purpose of this Compliance Program is to:

- (a) provide an overview of our compliance obligations and activities and help the company comply with them;
- (b) facilitate continuous improvement and set performance and integrity standards;
- (c) support our understanding of the importance of protecting the integrity of the company's business and our responsibility to comply with all relevant laws, regulations and organisational policies and standards; and
- (d) identify who is responsible for monitoring compliance and how.

The Compliance Program should not be relied upon as constituting legal advice. It is designed to be used as a practical reference tool. Any specific compliance action undertaken is tailored to particular cases.

3. Company Board

3.1 Responsibilities

The responsibilities of the Board are set out in full in the Company's Board Charter.

In summary, the Board is responsible for overseeing:

- (a) Strategic planning, resourcing and evaluate performance against the plan;

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- (b) Financial compliance including review of results, financial position, conformity to accounting standards, capital expenditure and preparation of Audited Financial Statements;
- (c) compliance with regulatory requirements and ethical standards, [including reviewing and ratifying Company codes of conduct, policies and compliance systems];
- (d) Business operations including key appointments, reporting systems, the effectiveness of the Company’s audit, risk management and compliance systems that are in place to protect the Company’s assets and to minimise the possibility of the Company operating beyond acceptable risk parameters; and
- (e) Corporate Governance, including adopting, review and compliance to policies and procedures.

4. Audit and Risk Committee

4.1 Audit and Risk Committee

The Company has an Audit and Risk Committee, which is appointed by the Board and is comprised of four non-executive, independent directors. The Audit Committee is accountable to the Board.

The present members of the Audit and Risk Committee are Robert Burns (Chairman), Dame Carol Kidu, Sir Rabbie Namaliu and Sir Moi Avei.

4.2 Responsibilities

The responsibilities of the Audit Committee are set out in full in the Company’s Audit Committee Charter.

In summary, the Audit Committee is responsible for:

- (a) Compliance with Corporations law and ASX listing requirements
- (b) Financial Information provided to the shareholders and stakeholders
- (c) Monitoring decisions and processes designed to ensure the integrity of financial reporting and sound systems of internal control and risk management;
- (d) reviewing the Company’s financial statements, accounting policies, control systems, risk management practices and taxation issues; and
- (e) Liaising with the external and internal auditors.

5. Compliance Arrangements

5.1 Financial obligations

The Company is obliged to:

- (a) maintain adequate financial records and accounts which are updated on a monthly basis;
- (b) be able to pay its debts as and when they become due and payable;

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- (c) have total assets that exceed total liabilities, or adjusted assets that exceed adjusted liabilities; and
- (d) report any breaches of financial requirements that occur.

5.2 Directors, key management personnel and employee obligations

The Company is obliged to:

- (a) ensure that our Directors, key management personnel and employees are of good fame and character and have the appropriate skills and knowledge to competently perform their position; and

5.3 Reporting and risk management obligations

- (a) The Board is responsible for:
 - (i) ensuring that an adequate breach reporting procedure is in place and that it is followed; and
 - (ii) reviewing and ratifying systems of risk management that:
 - (A) identify the most critical risks for the Company and its business;
 - (B) assess and rate the impact of the identified risks;
 - (C) identify the process in place to deal with the risk; and
 - (D) monitor and review the effectiveness of the risk management system.]
- (b) Our Directors, Key Management Personnel and employees are obligated to:
 - (i) follow all Company compliance policies and procedures; and
 - (ii) report to the Chairman of the Board regarding:
 - (A) any breach, or risk of breach, of the obligations listed in this clause 5; and
 - (B) any breach, or risk of breach, of any laws, regulations or rules and any internal policy or program.

5.4 Conflicts of interest

Directors, key management personnel and employees must recognise the importance of avoiding conflicts between the interests of the Company and their own personal, professional or financial interests.

In order to avoid conflicts of interest, Directors, key management personnel and employees must comply with the following obligations:

- (a) exercise their powers and discharge their duties to the Company:

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- (i) with care and due diligence;
 - (ii) in good faith;
 - (iii) in accordance with all laws;
 - (iv) in the best interests of the Company;
 - (v) for a proper purpose;
 - (vi) by disclosing and not deciding or otherwise influencing matters involving material personal interests.
- (b) not improperly use their position or information obtained from their position to gain an advantage (or to avoid a disadvantage) for themselves or another person or associated entity;
 - (c) ensure that appropriate disclosure of conflicts of interest occurs so that, where required, Directors may consider the impact of any conflict of interest before making decisions;
 - (d) ensure that when discharging their duties, they do not cause the Company to breach its contractual responsibilities to avoid conflicts of interest; and
 - (e) ensure that when discharging their duties, they do not cause the Company to breach its Constitution.

5.5 Anti-money laundering and counter-terrorism finance

- (a) Money laundering is the concealment of the origins of illegally obtained money.
- (b) Terrorism financing involves the use of money obtained by way of legitimate sources to fund terrorism.
- (c) In order to identify, manage and mitigate risks in relation to money laundering and terrorism financing, we will:
 - (i) maintain a risk-based preventative approach, using practices that identify, manage and mitigate money laundering and terrorism financing risks;
 - (ii) Include in enterprise risk reviews an assessment of any new material money laundering and/or terrorism financing risks.
 - (iii) conduct appropriate reference and background checks for all new employees and relevant third parties engaging with the Company;
 - (iv) where possible [monitor all third parties engaged with the Company for evidence of suspicious activity, and report such activity where we suspect that a third party may be acting illegally;

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- (v) comply with anti-money laundering and counter-terrorism finance legislation and file all reports required by the relevant anti-money laundering regulators;
- (vi) communicate to the Board any issues concerning anti-money laundering and counter-terrorism finance; and
- (vii) maintain general awareness on money laundering and terrorism financing.

5.6 Procedures and practices for monitoring compliance with the Company’s Compliance Program

The Company has in place a number of practices and procedures for monitoring compliance with the Compliance Program, including:

- (a) regular reports from Company management are provided to the Audit and Risk Committee, which is used by the Committee to review all of the business risks facing the Company.
- (b) annual review by the Audit and Risk Committee of the Compliance Program (including all Company policies and procedures) to oversee the corporate reporting process and assess and determine whether our policies and procedures continue to be effective;
- (c) the Audit and Risk Committee having authority to investigate any matters within its terms of reference including having full access to the information and resources of the Company to fulfil its function;
- (d) Company management provides an annual certificate of compliance to the Board as well as the provision of periodic reports and information confirming the status and effectiveness of the plans, controls, policies and procedures implemented to manage business risks;
- (e) Board approval is required before capital expenditure and revenue commitments that exceed certain approved levels;
- (f) The Company has a review function that is exercised by the Executive General Manager, who is contracted by the Company to ensure appropriate levels of segregation particularly in relation to processes and procedures around things such as payment authorisations and limits of authority;
- (g) the Board is responsible for promoting a culture of risk management and communicates compliance strategies amongst employees;
- (h) having implemented appropriate enforcement procedures to deal with non-compliance; and
- (i) having implemented systems to analyse compliance failures and to take measures to rectify any situations arising from possible non-compliance.

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6. Contact

If you are unsure about the meaning of any clause in this Compliance Program, or any compliance requirements or obligations, please contact the Company Secretary.

7. Glossary

In this policy:

Board means the board of Directors of the Company.

Conflicts of interest exist when your own personal interests (e.g. relationships, activities or obligations) are inconsistent or interfere with the interests of the Company or your duties to the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Key management personnel has the same meaning given to that term in the Accounting Standards AASB 124 which is 'those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity'.

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