

Audit and Risk Committee Charter

1. Scope and Authority

The primary function of the Audit and Risk Committee is to assist the Board of Directors fulfil their responsibilities by assuring the integrity of financial reporting and that sound systems of internal control and risk management are in place and are being appropriately practiced. The scope of the Committees responsibilities includes:

- Company compliance with Corporations law and listing requirements.
- Financial information that will be provided to shareholders and the public.
- Systems of internal financial controls that the Boards and management have established.
- Company auditing, accounting and financial reporting processes;
- External Auditors.
- Risk management.

In carrying out its responsibilities the Committee has full authority to investigate all matters that fall within the terms of reference of this Charter. Accordingly, the Committee may:

- Obtain independent professional advice in the satisfaction of its duties at the cost of the Company.
- Have direct access to the resources of the Company reasonably required including the external and internal auditors.
- Regularly review the risk profile of the company.
- Undertake risk assessments as required.
- Maintain a risk register.

2. Composition

The Audit and Risk Committee shall comprise at least three directors at least two of whom are independent directors who shall be appointed by the Board. The Board will determine each director's independence having regard to any past and present relationships with the Company or any substantial shareholders, which, in the opinion of the Board, could influence the director's judgment.

The Committee Chair shall be an independent director appointed by the Board. In the Committee Chair's absence, one of the other Committee members, either nominated by the Committee chair or elected by the Committee, will act as Committee chair.

All members of the Committee shall have a working knowledge of basic finance and accounting practices, and risk management principles and practices. At least one member of the Committee will have accounting or related financial management expertise, as determined by the Board.

A quorum will comprise at least two directors.

Members of the Committee may attend in person or participate by other means, including teleconference or video conference.

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The Committee may invite members of the management team to attend the meetings and to provide information as necessary.

3. Secretary

The Company Secretary of Bougainville Copper Limited, or a nominee shall be the secretary of the Committee.

4. Meetings

The Committee shall meet not less than four times a year or more frequently as circumstances require. Audit and Risk Committee minutes will be confirmed at the following meeting of the Committee and tabled as soon as practicable at a meeting of the Board.

The Company's senior financial and risk management representatives, and external auditors shall be available on request to attend all meetings by invitation.

As part of its desire to foster open communication, the Committee shall meet with management and the external auditors, at least annually, to discuss any matters that any party wishes to raise.

5. Agenda and papers

The Committee shall receive an agenda and papers at least five (5) days prior to the relevant meeting and shall be available on request to all members of the Board.

6. Delegation

The Committee has the delegated authority of the Board in respect of the functions and powers in these terms of reference. The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.

7. Resources

The Committee shall have full authority and resources to investigate all matters falling within its Terms of Reference and accordingly, the Committee may:

- Obtain, at the Company's expense, any outside legal, accounting or other independent professional advice, as it considers necessary in connection with its purpose, and secure the attendance of such advisers at its meetings.
- Have such direct access to the Company's resources as it may reasonably require including access to management and external auditors (with or without management present).
- Oversee the provision of an induction programme following the appointment of new members and determine the ongoing training and development of its members, taking into account individual requirements.

8. Responsibilities

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The Board and the external auditors are accountable to shareholders. The Audit and Risk Committee is accountable to the Board. The Internal Auditor is accountable to the Audit and Risk Committee and to senior financial management.

To fulfil its responsibilities the Committee shall:

8.1 Charter

- Review and, if appropriate, update this Charter at least annually.

8.2 Financial Reporting and Internal Financial Controls

- Review with management and the external auditors the Company's financial statements, stock exchange and media releases in respect of each half year and full year.
- Review with management and the external auditors the accounting policies and practices adopted by the company and their compliance with accounting standards, stock exchange listing rules and relevant legislation.
- Discuss with management and the external auditors management's choice of accounting principles and material judgments, including whether they are aggressive or conservative and whether they are common or uncommon practices.
- Recommend to the Board that the annual financial statements reviewed by the Committee (or the Chairman representing the Committee for this purpose) be included in the Company's Annual Report.
- Review the regular reports prepared on the effectiveness of the Company's internal financial controls.

8.3 External Auditors

- Recommend to the Board the external auditors to be proposed to shareholders.
- Review with the external auditors the planned scope of their audit and subsequently their audit findings including any internal control recommendations.
- Periodically consult with the external auditors without the presence of management about the quality of the Group's accounting principles, material judgments and any other matters that the Committee deems appropriate.
- Review the performance of the external auditors.
- Review and approve the fees and other compensation to be paid to the external auditors.
- Review letters of management representations requested by the external auditors in relation to the financial statements in the annual and interim reports, and other public documents.
- Ensure that the external auditors submit a written statement outlining all of its professional relationships with the Group including the provision of services that may affect their objectivity or independence.
- Review and discuss with the external auditors all significant relationships they have with the company to determine their independence.

8.4 Risk Management

- Review at least annually the maturity and effectiveness of management processes designed to identify, assess, monitor and manage risk.
- Recommend to the Board that the risk management systems employed by the Company, and by the Board, are appropriate.

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- Review and approve periodic and ad hoc external reporting of risk, for example, the principal risks and uncertainties/risk factors.
- Undertake risk assessments as required.

9. Other Matters

The Committee shall also perform any other activities consistent with this Charter that the Committee or Board deems appropriate. This will include but not be limited to:

- Review of the Group's insurance cover.
- Review compliance with the company's policies on security and risk.
- Review outstanding litigation.
- Review claims register.

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