



# Audit and Financial Risk Management Committee Charter

## 1 INTRODUCTION

The Audit and Financial Risk Management Committee (the “**Committee**”) is established by the Board of Directors (the “**Board**”) primarily for the purpose of overseeing the accounting and financial reporting processes of OceanaGold Corporation (the “**Corporation**”) and the reviews and audits of the financial statements of the Corporation. The Committee will also prepare and include in each annual information form (“**AIF**”) and management proxy circular required under National Instrument 51-102 such disclosure as is required by Multilateral Instrument 52-110 - Audit Committees (the “**Instrument**”).

The Committee shall assist the Board in fulfilling its responsibilities to the shareholders, securities regulatory authorities and stock exchanges, the investment community and others by reviewing, overseeing, assessing and monitoring (as the case may be), among other things:

- a) the quality and integrity of the internal controls and accounting procedures of the Corporation and its subsidiaries, including reviewing the Corporation’s procedures for internal control with the Corporation’s auditor and chief financial officer;
- b) the quality and integrity of the Corporation’s annual and quarterly financial statements, related management discussion and analysis, as well as all other material continuous disclosure documents such as the Corporation’s AIF;
- c) compliance by the Corporation with legal and regulatory requirements related to financial reporting;
- d) the engagement of the auditor of the Corporation and the auditor’s fees;
- e) the qualifications, performance and independence of the auditor of the Corporation, considering the auditor’s recommendations and managing the relationship with the auditor, including meeting with the auditor as required in connection with the audit services provided by the Corporation;
- f) the Corporation’s financial and accounting personnel;
- g) the Corporation’s risk management procedures;
- h) any significant transactions outside the Corporation’s ordinary course of business and any pending litigation involving the Corporation; and
- i) improprieties or suspected improprieties with respect to accounting and other matters that affect financial reporting or the integrity of the business.

The Committee’s role is to review, monitor and oversee the preparation of financial statements, but it is not the duty of the Committee to plan or conduct audits or to determine that the financial statements are complete and accurate and are in accordance with generally accepted accounting principles (“**GAAP**”), to conduct investigations, or to assure compliance with laws and regulations or the Corporation’s internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor.

## **2 AUDIT COMMITTEE**

### **2.1 Composition of Committee**

The Committee shall consist of such number of directors as the Board may from time to time determine, but in no event shall the Committee consist of less than three directors. All of the members of the Committee must be "independent" and "financially literate" as such terms are defined in the Instrument, subject to the exemptions that may be available under the Instrument, as determined by the Board from time to time.

### **2.2 Committee Members**

The members of the Committee shall be appointed by the Board on the recommendation of the Remuneration & Nomination Committee. The members of the Committee shall hold office for a period of one year or such other period as the Board may decide or until they cease to be directors of the Corporation.

Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board on the recommendation of the Remuneration & Nomination Committee. The Board also may remove and replace any member of the Committee. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all its powers so long as quorum remains.

### **2.3 Chair**

The Board shall appoint a Chair for the Committee. The Chair may be removed and replaced by the Board. If the Chair is not present at any meeting of the Committee, a Chair shall be chosen by the members among themselves.

### **2.4 Secretary of Committee**

The Company Secretary acts as Secretary for the Committee. In the absence of the Company Secretary, the Chair shall appoint a Secretary.

### **2.5 Meetings**

The Chair, in consultation with the Committee members, shall determine the schedule and frequency of the Committee meetings, provided that the Committee shall meet at least four times annually. The Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related management's discussion and analysis ("MD&A") and shall meet within ninety (90) days following the end of the financial year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A, or in both cases, by such earlier times as may be required in order to comply with applicable law or any stock exchange regulation.

The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation, and others as they consider appropriate.

In order to foster open communication, the Committee should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In

addition, the Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements.

If necessary, meetings may be held by telephone or other telecommunication device. Each of the Chairman and lead independent director of the Board of Directors, the external auditor, the Chief Executive Officer or the Chief Financial Officer shall be entitled to call a meeting.

## **2.6 Quorum**

A majority of the members of the Committee, whether present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak to each other, shall constitute a quorum.

## **2.7 Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing or by e-mail or facsimile communication to each member of the Committee at least five days prior to the time fixed for such meeting; provided, however, that a member may in any manner waive notice of a meeting and attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

## **2.8 Agenda**

The Chair shall develop and set the Committee's agenda, in consultation with other members of the Committee, the Board and management. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

## **2.9 Delegation**

The Committee shall have the power to delegate its authority and duties to subcommittees or individual members of the Committee as it deems appropriate.

## **2.10 Access**

In discharging its responsibilities, the Committee shall have full access to all books, records, facilities and personnel of the Corporation.

## **2.11 Outside Consultants or Advisors**

The Committee when it considers it necessary or advisable, may retain, at the Corporation's expense, outside counsel, consultants or advisors to assist or advise the Committee independently on any matter within its mandate and to communicate directly with the internal and external auditors. The Committee shall have the sole authority to retain or terminate such counsel, consultants or advisors, including the sole authority to approve the fees and other retention terms for such persons.

## **2.12 Funding for Audit and Oversight Functions**

The Committee shall have the sole authority to recommend for the Board's approval (a) appropriate compensation to the external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services; (b) appropriate compensation to any counsel, consultants and advisors to the Committee; and (c) administrative expenses necessary or appropriate to carrying out the Committee's duties.

## 2.13 Annual Evaluation

The Committee's performance shall be evaluated annually, in accordance with a process developed by the Remuneration & Nomination Committee and approved by the Board, and the results of that evaluation shall be reported to the Remuneration & Nomination Committee and to the Board.

## 2.14 Oversight in Respect of Financial Disclosure and Accounting Practices

In fulfilling its role and purpose, the Committee shall:

- a) Review and recommend to the Board of Directors changes to this Charter, as considered appropriate from time to time;
- b) Report to the Board any issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's financial systems and processes, the Corporation's compliance with legal or regulatory requirements within the Committee's purview, the performance and independence of the Corporation's external auditors, and the adequacy and appropriateness of the Corporation's internal controls;
- c) Provide disclosure regarding the activities of the Committee to the Board of Directors as required by applicable securities laws;
- d) Perform any other activities that the Committee deems necessary or appropriate;
- e) Meet with management and the external auditor to review and discuss, and to recommend to the Board for approval prior to public disclosure, the audited annual financial statements, including reviewing the specific disclosures in the MD&A and results of operations and the annual earnings press release;
- f) Meet with management and the external auditor to review and discuss, and to recommend to the Board for approval prior to public disclosure, the unaudited quarterly financial statements, including reviewing the specific disclosures in the MD&A and results of operations and any related press release, and any other financial statements that the Corporation may be required to prepare by law or under the rules of any stock exchange;
- g) Review, discuss with management and the external auditor, and recommend to the Board for approval prior to public disclosure:
  - (i) the annual report and AIF;
  - (ii) the portions of the management proxy circular, for any annual or special meeting of shareholders, containing significant information within the Committee's mandate;
  - (iii) all financial statements included in prospectuses or other offering documents;
  - (iv) all prospectuses and all documents which may be incorporated by reference in a prospectus, other than any pricing supplement issued pursuant to a shelf prospectus; and
  - (v) any significant financial information respecting the Corporation contained in a material change report;

- h) Review and discuss with management and approve for provision to the external auditors for information prior to public disclosure:
  - (i) each press release that contains significant financial information respecting the Corporation or contains estimates or information regarding the Corporation's future financial performance or prospects;
  - (ii) the type and presentation of information to be included in such press releases (in particular, the use of "pro forma" or "adjusted" non-GAAP information); and
  - (iii) financial information and earnings guidance provided to analysts and rating agencies; provided, however, that such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made) and that the Committee need not discuss in advance each instance in which the Corporation may provide earnings guidance or presentations to analysts or rating agencies;
- i) Review with management and the external auditor major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies;<sup>1</sup>
- j) Based on its review with management and the external auditor, satisfy itself as to the adequacy of the Corporation's procedures that are in place for the review of the Corporation's public disclosure of financial information that is extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of those procedures;
- k) Review with management and the external auditor (including those of the following that are contained in any report of the external auditor): (1) any analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (2) all critical accounting policies and practices to be used by the Corporation in preparing its financial statements; (3) all material alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of these alternative treatments, and the treatment preferred by the external auditor; and (4) other material communications between the external auditor and management, such as any management letter or schedule of unadjusted differences;
- l) Review with management and the external auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures and transactions on the Corporation's financial statements;
- m) Review the plans of management and the external auditor regarding any significant changes in accounting practices or policies and the financial and accounting impact thereof;

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<sup>1</sup> The Committee is not responsible to determine if the Corporation's financial statements are complete, accurate and in accordance with generally accepted accounting principles ("GAAP"). The Committee, after having conducted the necessary due diligence under the circumstances and satisfied itself that appropriate internal controls were implemented, relies on the accounting and financial expertise of the Chief Financial Officer and of the Chief Executive Officer who are responsible for the integrity of the information presented to the Committee.

- n) Review with management, the external auditor and, if necessary, legal counsel, any litigation, potential breach of contract, claim or contingency, including tax assessments, that could have a material effect upon the financial position of the Corporation, and the manner in which these matters have been disclosed in the financial statements;
- o) Review disclosures by the Chief Executive Officer and Chief Financial Officer during their certification process about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Corporation's internal controls;
- p) Discuss with management the Corporation's material financial risk exposures and the steps management has taken to monitor and control such exposures, including the Corporation's financial risk assessment and financial risk management policies; and
- q) Periodically meet with management separately from the Chief Financial Officer or the external auditor to discuss matters within the Committee's purview.
- r) From time to time review the responsibilities set out in A and B of section 3 of the Financial Risk Management Policy of the Company and make any recommendations felt necessary regarding the policies, controls and procedures with respect to the matters referred to therein and make appropriate recommendations to the Board with respect to any matters arising.

## **2.15 Oversight in Respect of the External Auditor**

Subject to confirmation by the external auditor of its compliance with Canadian regulatory requirements, the Committee shall be directly responsible for recommending to the Board the appointment of, and for the oversight of the services of, the external auditor (including resolution of disagreements between management and the external auditor regarding financial reporting) for the purpose of preparing or issuing any audit report or performing other audit, review or attest services for the Corporation, such appointment to be confirmed by the Corporation's shareholders at each annual meeting.

The Committee shall also be directly responsible (subject to Board confirmation) for:

- a) Recommending to the board of directors the selection of the external auditor, considering independence and effectiveness;
- b) Considering whether, in order to assure continuing auditor independence, there should be regular rotation of the auditing firm itself;
- c) Ensuring the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
- d) Reviewing and recommending the fees and other compensation to be paid to the external auditor for audit services;
- e) Pre-approving the retention of the external auditor for any permitted non-audit service to be provided to the Corporation or its subsidiaries;
- f) Reviewing and approving requests for any material management consulting or other engagement to be performed by the external auditors and be advised of any other material study undertaken by the external auditor at the request of

- management that is beyond the scope of the audit engagement letter and related fees;
- g) Reviewing at least annually the external auditor's written report on its own internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the external auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years respecting one or more independent audits carried out by the external auditor, and any steps taken to deal with such issues;
  - h) Reviewing and evaluating the experience, qualifications and performance of the senior members of the audit team of the external auditor;
  - i) Evaluating annually the performance of the external auditor, including the lead partner, taking into account the opinions of management and report to the Board on its conclusions regarding the external auditor and its recommendation for the continued appointment of the external auditor for the purpose of preparing or issuing any report or performing other audit, review, or attest services for the Corporation;
  - j) Meeting with the external auditor prior to the annual audit to review the planning and staffing of the audit;
  - k) Periodically meeting separately with the external auditor to review any problems or difficulties that the external auditor may have encountered and management's response, specifically:
    - (i) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management;
    - (ii) any changes required in the planned scope of the audit; and
    - (iii) the responsibilities, budget, and staffing of the internal audit function;and reporting to the Board on such meetings;
  - l) Overseeing the resolution of disagreements between management of the Corporation and the external auditor regarding financial reporting;
  - m) When applicable, reviewing the annual post-audit or management letter from the external auditor and management's response and follow-up in respect of any identified weakness;
  - n) Inquiring regularly of management and the external auditor whether there have been any significant issues between them regarding financial reporting or other matters and how they have been resolved, and intervene in the resolution if required;
  - o) Receiving and reviewing annually the external auditor's report on management's evaluation of internal controls and procedures for financial reporting;
  - p) Reviewing the engagement reports of the external auditor on unaudited financial statements of the Corporation; and
  - q) Reviewing and approving the Corporation's hiring policies regarding partners and employees and former partners and former employees of the present and former external auditor, including those hiring policies that may have a material impact on the financial statements, pre-approving the hiring of any partner or employee or



former partner or former employee of the external auditor who was a member of the Corporation's audit team during the preceding three fiscal years and, in addition, pre-approving the hiring of any partner or employee or former partner or former employee of the external auditor (within the preceding three fiscal years) for senior positions within the Corporation, regardless of whether that person was a member of the Corporation's audit team.

## **2.16 Oversight in Respect of Audit and Non-Audit Services**

The Committee, to the extent required by the Instrument or other applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

- a) have the sole authority to pre-approve all audit services (which may entail providing comfort letters in connection with securities underwritings) and all permitted non-audit services, provided that the Committee need not approve in advance non-audit services where:
  - (i) the aggregate amount of all such non-audit services provided to the Corporation constitutes not more than 5% of the total amount of revenues paid by the Corporation to the external auditor during the fiscal year in which the non-audit services are provided;
  - (ii) such services were not recognized by the Corporation at the time of the engagement to be non-audit services; and
  - (iii) such services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee;
- b) disclose, through the Corporation's periodic reports filed with applicable regulatory agencies, the approval by the Committee of a non-audit service to be performed by the external auditor; and
- c) if the Committee so chooses, delegate to one or more designated members of the Committee the authority to grant pre-approvals required by this section, provided that the decision of any member to whom authority is delegated to pre-approve a service shall be presented to the Committee at its next scheduled meeting.

If the Committee approves an audit service within the scope of the engagement of the external auditor, such audit service shall be deemed to have been pre-approved for purposes of this section.

## **2.17 Oversight in Respect of the Internal Audit Function**

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

- a) approve management's appointment of any internal auditor and the terms of such appointment;
- b) review the annual audit plans of the internal auditor;
- c) review the significant findings prepared by the internal auditor and recommendations issued by an external auditor relating to internal audit issues, together with management's response thereto;

- d) monitor compliance with the Corporation's conflicts-of-interest policies that may have a material impact on the financial statements, including the approval of the financial terms of agreements with affiliates, directors or management to ensure that the terms are at least as advantageous for the Corporation as if such agreements had been negotiated at arms' length;
- e) review the adequacy of the resources of the internal auditor to ensure the objectivity and independence of the internal audit function;
- f) approve management's replacement, reassignment or dismissal of the internal auditor; and
- g) ensure that the internal auditor has access to the Chair of the Committee, the Chair and any lead independent director of the Board and the Chief Executive Officer, and periodically meet separately with the internal auditor to review any problems or difficulties he or she may have encountered and specifically:
  - (i) any difficulties that were encountered in the course of the audit work, including restrictions on the scope of activities or access to required information, and any disagreements with management;
  - (ii) any changes required in the planned scope of the internal audit; and
  - (iii) the internal audit function's responsibilities, budget and staffing; and report to the Board on such meetings.

## **2.18 Oversight in Respect of Legal and Regulatory Compliance**

The Committee, to the extent required by applicable laws or rules, or otherwise considered by the Committee to be necessary or appropriate, shall:

- a) review with the Company Secretary the Corporation's compliance policies, legal matters, and any reports or inquiries received from regulators or governmental agencies that could have a material effect upon the financial position of the Corporation and that are not subject to the oversight of another committee of the Board (including, but not limited to, the Sustainability Committee);
- b) establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submissions by employees of the Corporation of concerns regarding questionable accounting or auditing matters; and
- c) periodically review the Corporation's public disclosure policy.

## **2.19 Oversight in Respect of Financial Risk Management**

The Committee shall report, and where appropriate provide recommendations to the Board on:

- a) the Corporation's processes for identifying, assessing and managing financial risk; and
- b) the Corporation's major financial risk exposures and the steps the Corporation has taken to monitor and control such exposures.

## 2.20 Audit Committee Complaint Procedures

The Committee shall establish, monitor, oversee and keep under review the Corporation's procedures for receiving, retaining and addressing protected disclosures ("**whistleblower**" procedures) in accordance with the Corporation's Protected Disclosures ("Whistleblower") Policy document (Annexure 1 to this Charter).

The Committee shall be responsible for assuring compliance of the Corporation's whistleblower procedures with the requirements of Section 2.3 (7) of the Instrument for:

- a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
- b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Except in the limited circumstances expressly set forth in Annexure 1, it is not the duty of the Committee or any of its members directly to receive, conduct investigations into or act on any disclosures received pursuant to the whistleblower procedures.

## 2.21 Non-Exhaustive List

The foregoing list of duties is not exhaustive, and the Committee may, in addition, perform such other functions as may be necessary or appropriate for the performance of its oversight responsibilities.

*\*This Charter must be reviewed every 24 months at a minimum.*

*Last reviewed: February 2013*