

Expenditure Authority Levels and Internal Controls Policy

Annual operating and capital expenditure plans will be submitted to the Board of Bougainville Copper Limited for approval.

Currently, there is only approval for essential expenditure, given the status of the project.

Expenditure Types

Under normal operations, once an annual plan has been approved by the Board, there is differentiation between expenditure types:

- “In plan” expenditure – Items Budgeted
- “Out of plan” expenditure – Items not Budgeted for

Authority Levels

The Board delegated authority to the management for all operating expenditure in plan. Capital expenditure greater than K100,000 must be Board approved. Out of plan operating expenditure >K100,000 requires board approval.

General Manager and managers to regularly review expenses and refer to chairman as appropriate.

Internal Controls

Ensure there is adequate internal Controls to:

- Safeguard assets
- Ensure financial information is accurate and reliable
- Ensure Compliance with all regulatory requirements
- Assist in achieving the business objectives

Systems and procedures should be designed to:

- Accurately report the businesses activities
- Protect physical and monetary assets from theft or fraud
- Prevent and detect fraud and error by quickly highlighting errors or potential fraud
- Timely receipt of reports on business performance
- Reduce exposure to risk
- Accurate, complete and timely financial reports
- Authority levels
- Segregation of duties

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