

2. ORGANISATION - ROLES AND RESPONSIBILITIES

The capital investment process requires the participation by all areas and functions of the Company. Their participation must be obtained in an organised and structured manner, in order to effectively identify, develop and establish capital investment opportunities.

Some of the participation by persons, groups or functions will be either line based direct responsibility for the delivery of investigations or new assets, while others will be support specialists with no line-based responsibility.

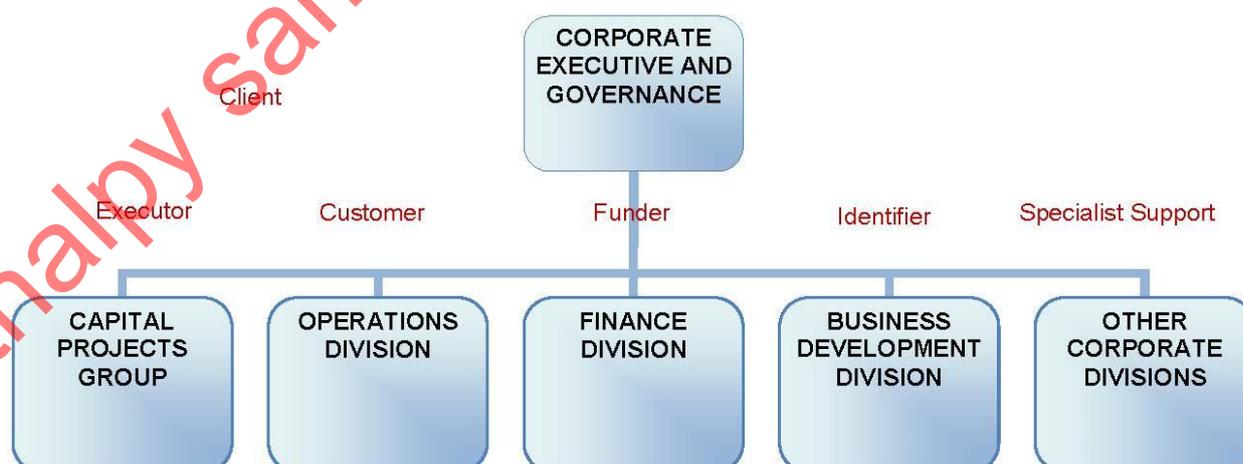
The following responsibilities exist during all phases of new capital assets and commercial transactions:

Responsibility	Description
Client	The group or individual with the authority to approve the investment and set the strategic direction
Funder	The group or individuals with the authority to release funding for the investment, once the investment has been approved. Responsible for ensuring there are adequate controls to manage the finances once they are released.
Customer	The end user of the asset – responsible for reviewing and approving all operational aspects of the proposed investment
Executor	The group or person responsible for investigating, developing and delivering the investment
Identifier	The group responsible for identifying capital investment opportunities to the client
Specialist support	The groups or individuals who support to the other functions to assist with executing capital investments (eg providing legal support, marketing etc.)

The function or role who adopts each of the responsibilities will vary depending on the value and risk of an investment. The responsibilities of each role and function for individual investments will be based on Enthalpy's financial delegation and authority limits.

Figure 4 presents the functions involved the capital investment process and indicates the typical responsibility of each function. Figure 5 presents the organisational roles for new capital assets and commercial transactions, based on the typical responsibilities of each function.

Figure 4 - Organisational Functions



3. PORTFOLIO MANAGEMENT AND REPORTING

3.1 Portfolio Management

In accordance with the principles of the CIS, opportunities for investment in new capital assets or commercial transactions must be managed using best practice portfolio management processes. The processes for portfolio management are mandated by CIS_PM_007 Policy Manual – Portfolio Management and Reporting. It applies to both new capital assets (Major Projects and Minor Capital Projects) and commercial transactions.

The key concepts of the portfolio management process are described below.

Each investment opportunity that is identified is included in the "Pipeline of Projects". As each potential investment enters the Pipeline of Projects, it is treated as a comparative opportunity for investment using the constraints of the portfolio management system. Each potential investment is put into competition with each other to ensure that only the best investment opportunities proceed.

Refer to Figure 6 for an illustration of the Pipeline of Projects.

Each opportunity is initially recognised as a "Conceptual Business Case". If the opportunity is determined to be within the business strategy, the Capital Investment Executive Committee may recommend that the opportunity should be subject to a Scoping Study.

The opportunity will advance through the Pipeline of Projects – progressing from a Scoping Study through to Project Execution and eventually Operations. Each opportunity is investigated through the study phases to reach Project Execution. Opportunities only progress to the next phase of investigation or execution once they meet the requirements of the CIS Minimum Standards.

At the end of each study phase, the opportunity is subject to an Independent Peer Review, which assesses whether the investigations have met the CIS Minimum Standards.

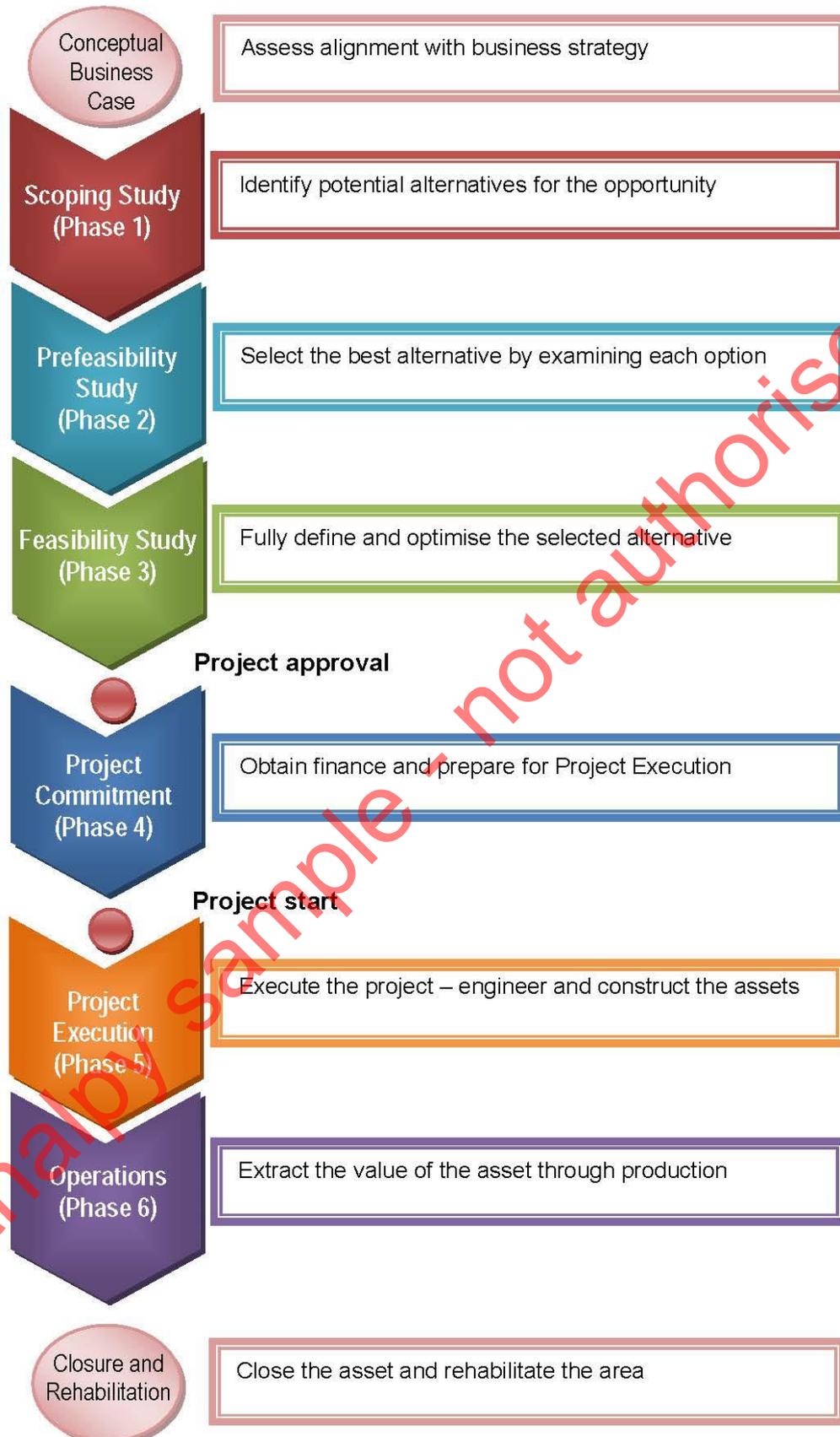
Completion reviews and lessons learnt workshops will identify improvements to the CIS and the portfolio management process. These improvements are captured and the CIS is updated accordingly.

Completion reviews also determine whether the investment recommendation has been delivered.

The status of investigations (studies) and projects or transactions being executed are reported on a consistent basis via the portfolio reporting process.

Enthalpy's management receives regular reports on the progress of each opportunity and on a periodic basis, an overall portfolio management report is presented to the Capital Investment Executive Committee and the Board of Directors.

Figure 8 - Objectives of Each Phase - New Capital Assets



6.2.4 Independent Peer Reviews

The requirements for Independent Peer Reviews are mandated by CIS_PM_008 Policy Manual – Independent Peer Reviews.

The requirements for Independent Peer Reviews are summarised in Section 7 of this Policy.

6.2.5 Completion Reviews

Completion Reviews measure the outcomes and processes of the investment activity against a set framework of the investment decision. They provide an assessment to the Board, CEO and executives of whether an investment has achieved its intended outcomes and what the cause and effect of any variances from the planned outcomes.

Completion Reviews also allow the organisation to recognise lessons learnt from the investment process, which allows Enthalpy to maximise the value of its investments.

Completion Reviews are mandatory for all Major Projects and commercial transactions. They are not required for Minor Capital Projects, unless requested by the Chief Executive Officer.

The requirements for Completion Reviews are addressed in CIS_PM_009 Policy Manual – Completion Reviews. The key aspects of Completion Reviews are summarised below.

All Major Projects and commercial transactions shall be subject to the following Completion Reviews:

- Post Study Reviews
- Post Project Reviews
- Post Investment Reviews.

Post Study Reviews

A Post Study Review must be performed at the completion of the Feasibility Study phase. The review is based on the study manager's study closure report.

The review must assess the outcomes of the study against the Study Work Plan, focusing on the cause and effect of any variances identified. The review is important because it provides recommendations on how to improve Enthalpy's study processes.

Post Project Review

A Post Project Review must be performed at the completion of the Project Execution phase and is based on the project manager's project closure report.

The review must provide an independent assessment of the project outcomes against the framework provided in the Project Execution Plan and the Feasibility Study report. It must identify and quantify the effects of all variances between the planned and actual outcomes and provide recommendations for resolving any issues identified.

Post Investment Reviews

A Post Investment Review must occur 18 to 24 months after the handover of the project to Operations. It occurs once commercial production has stabilised, the acquisition is completed or the commercial joint venture or tender activities are enacted.

The purpose of the review is to review and report on the actual financial outcomes achieved, compared to the planned outcomes, as approved by the Chief Executive Officer or the Board of Directors.

The review must be completed by a specialist review group, who focus on analysing the financial outcomes and economic effects and causes for any variances from the planned results.

8. MAINTENANCE AND CONTINUOUS IMPROVEMENT

8.1 Responsibilities

The Capital Investment System Policies, Policy Manuals, Standards and related documents will be subject to a continuous improvement program.

Additionally, an ongoing program of data collection and benchmarking will be instituted as part of the normal work plans for studies, with the results then made available to all study teams.

The responsibility for the continuous improvement and maintenance of elements of the Capital Investment System will be assigned as follows:

No.	Element	Responsibility Assigned
1	Process and methodology as set out in this Capital Investment Policy.	Chief Executive Officer as recommended by the Capital Investment Executive Committee
2	Policy Manuals	Chief Financial Officer as recommended by the Capital Investment Executive Committee
3	Minimum Standards	Chief Executive Officer as recommended by the Capital Investment Executive Committee or Chief Financial Officer
4	Toolkits	Capital Projects General Manager, as recommended by the CIS Champions
5	Knowledge Portal	Capital Projects General Manager, as recommended by the CIS Champions

This CIS Policy mandates the content, quality and accuracy of the function inputs required for each phase. The functional Policy Manuals and Minimum Standards mandate the outcomes, procedures and processes to be used.

8.2 Learning and Continuous Improvement Process

The Capital Investment System process has the major advantage of creating node points of knowledge within Enthalpy, such as:

- Business Development Group
- Project Execution Group
- Independent Peer Review Teams
- Completion Reviews Teams.

This advantage will be realised as information is collected, collated and made available for future use by Study and Project Groups, Independent Peer Review Teams; Functional Specialists involved in developing investments or acquiring assets.

Lessons learnt are core intellectual property of Enthalpy and, as such, add value to the business.

8.2.1 Information Collection and Dissemination

The function of Lessons Learnt is dependent upon various custodians collecting and maintaining a library of the following information related to Enthalpy.

No.	Knowledge Base	Custodian
1	Scoping Study Reports	Operating Division
2	Prefeasibility Study Reports	Business Development
3	Feasibility Study Reports	Project Execution
4	Independent Peer Review Report (Studies)	Project Execution