

PROCEDURE

SELECTION, APPOINTMENT AND ROTATION OF AN EXTERNAL AUDITOR

RESPONSIBILITY: GENERAL COUNSEL

1 INTRODUCTION

The Board is responsible for the preliminary appointment of the external auditor which is to be ratified by shareholders at the next annual general meeting.

The Board's Audit Committee ("**Committee**") is delegated the task to meet and determine the process by which the auditor should be selected eg. by way of a formal tender or some other method.

The Committee conducts the selection process and recommends a preferred external auditor to the Board. The Board may endorse the external auditor recommended by the Committee and appoint him/her. Alternatively the Board may wish to review the recommendation of the Committee.

At the request of the Committee, the CFO and/or CEO may assist the Committee in the selection and appointment process including by proposal of an external auditor, together with a written supporting submission.

2 TENDER

2.1 Request for submissions

If the Committee elects to undertake a tender process, the CEO or CFO will prepare or cause to be prepared a draft request for submissions that will be reviewed for approval by the Committee (with such changes as it considers appropriate).

The request should contain sufficient information to enable a proposal and fee estimate to be given to the Company. The request should include information about the Group, its operations, its key personnel, its structure, its financials and any other relevant information.

The CEO or CFO may arrange for candidates to meet with a selection panel appointed by the Committee.

2.2 Selection Panel

The selection panel will comprise nominated members of the Committee, and any other person the Committee considers appropriate to assist it to assess the suitability of the external auditor.

3 SELECTION CRITERIA

The preferred external auditor should best satisfy the selection criteria identified by the Committee including:

a. Fees

A candidate should provide a firm fee quotation for its audit services. However price will be but one of the relevant factors in the selection of a preferred external auditor.

b. Independence

A candidate must satisfy the Committee that it is independent and outline the procedures it has in place to maintain its independence.

The external auditor must be independent from, and be seen to be independent from, the Group.

c. Scope of audit/issues resolution

A candidate should outline its response to the scope of audit in the request for submissions and any proposed procedures to address any issue of material significance or matter of disagreement with the Company's management.

The external auditor and the CFO will be required to disclose to the Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

d. Non-audit work

A candidate must detail its approach to the provision of non-audit related services to the Group. Generally such work should be at most not be material so as to compromise the independence of the auditor.

If proposed otherwise, the Committee must consider the circumstances in which the Company might use the external auditor for non-audit services. Matters to be considered include the extent, scope and potential value of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

The scope of non-audit work must not be allowed to impinge upon the external auditor's independence (refer also paragraph 4 below).

e. Other matters

The selection criteria may include such other matters as the Committee thinks fit.

4 POLICY ON AUDIT AND NON-AUDIT SERVICES

The Committee adopts the following policy concerning the circumstances in which the Company may use the external auditor for other services:

- a. the external auditor may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor;
- b. the external auditor should not provide services that are perceived to be materially in conflict with the role of auditor;
- c. the external auditor may be permitted to provide a limited number/value of non-audit services that are perceived to be not materially in conflict with the role of auditor, subject to the approval of the Committee;
- d. exceptions may be made to the policy (with specific Board approval) where the variation is in the best interests of the Company and arrangements are put in place to preserve the integrity of the external audit process.

5 ROTATION OF EXTERNAL AUDIT ENGAGEMENT PARTNER

The Committee will ensure that the external auditor has in place arrangements for rotation of the audit engagement partner.

The audit engagement partner for the audit must rotate at least every 5 years.

6 ASX CORPORATE GOVERNANCE COUNCIL CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS (4TH EDITION) ("RECOMMENDATIONS")

This procedure will be read and construed in compliance with the Recommendations. To the extent to which the Recommendations prescribe specific criteria, protocols or requirements with respect to the external audit function or the appointment or performance of the external auditor, then those criteria, protocols or requirements will prevail.