

CARBINE RESOURCES LIMITED
ACN 122 976 818

PROCEDURE FOR SELECTION AND APPOINTMENT OF EXTERNAL AUDITOR

1 INTRODUCTION

The board of Carbine Resources Limited (“**Carbine**”) (“**Board**”) is responsible for the initial appointment of the external auditor. The members at the next annual general meeting must ratify the appointment of an external auditor.

When a vacancy occurs, the Audit Committee (“**Committee**”) will meet and determine whether a replacement auditor should be selected by way of a formal tender or some other method. The Board is responsible for the appointment of the external auditor. The members at the next annual general meeting must ratify the appointment of an external auditor to fill a vacancy.

The selection and appointment process is the responsibility of the Committee. The Committee must conduct the selection process and recommend a preferred external auditor to the Board. If it thinks fit, the Board will appoint the preferred external auditor recommended by the Committee.

2 ROLE OF CORPORATE DIRECTOR

If requested to do so by the Committee, the corporate director will assist the Committee in the selection and appointment process.

If requested to do so by the Committee, the corporate director will submit to the Committee the details of a proposed external auditor together with a written supporting submission.

3 FORMAL TENDER

3.1 Request for submissions

If the Committee elects to undertake a formal tender process, the corporate director will prepare a draft request for submissions that will be reviewed by the Committee. The Committee may make such changes to the draft as it considers appropriate.

The final request for submissions must contain sufficient information to enable a potential auditor to provide a proposal and fee estimate to Carbine. Such information should include information about Carbine, its operations, its key personnel and any other relevant information about the structure of Carbine and its financial statements.

The corporate director will assist the Committee to distribute the request for submission and to arrange for candidates to meet with the selection panel.

3.2 Selection panel

The Committee will establish a selection panel comprising the Committee, the corporate director and any other person the Committee considers appropriate to assess the suitability of the external auditor (“**Selection Panel**”). The Committee will consult with the other members of the Selection Panel as to the preferred auditor however it is the responsibility of the Committee to recommend a preferred external auditor to the Board.

4 SELECTION CRITERIA

The candidate selected by the Committee as the preferred external auditor must satisfy the selection criteria whether or not it is selected by way of a formal tender.

4.1 Fees

A candidate must provide a fixed fee quotation for its audit services. However, price will not be the sole determining factor in the selection of a preferred external auditor.

4.2 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 Carbine and be seen to be independent from Carbine.

The independence of the external auditor is integral to the role of auditor and the Committee will give due consideration to this requirement when selecting a preferred auditor for recommendation to the Board.

4.3 Material matters

A candidate must outline its proposed procedures to address the issue of material significance or matter of disagreement with Carbine management.

The external auditor and the corporate director will be required to disclose to the Committee all issues of material significance and all matters of disagreement with Carbine management, whether resolved or unresolved, and to assist the Committee to review such matters.

4.4 Non-audit work

A candidate must detail its approach to the provision of non-audit related services to Carbine.

The Committee must consider the circumstances in which Carbine might use the external auditor for non-audit services. Matters to be considered include the potential quantum 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.

4.5 Other matters

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

5 POLICY ON AUDIT AND NON-AUDIT SERVICES

The Committee will develop a policy that sets out the circumstances in which Carbine may use the external auditor for other services. A copy of this policy will be provided to the external auditor.

The policy will be based on the following principles:

- (a) the auditor may provide audit and non-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 non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the Committee; and
- (d) exceptions may be made to the policy where the variation is in the interest of Carbine and arrangements are put in place to preserve the integrity of the external audit process. The Board must specifically approve any such exception.

6 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 every 3 years or such lesser period as dictated by the external auditor.

7 REVIEW OF AUDIT ARRANGEMENTS

The Committee will review the external auditor's performance annually. As part of this review the Committee will obtain feedback from the corporate director and other members of senior management regarding the quality of the audit service.