

Krakatoa Resources Limited

(ACN 155 231 575)

Policy on Selection, Appointment and Rotation of External Auditors

1 Selection of external auditors

Should there be a vacancy for the position of external auditor, Krakatoa Resources Limited (ACN 155 231 575) (the **Company**), through the Board, will conduct a formal process, either general or selective, to select which audit firm will fill the vacancy.

Audit firms are evaluated in accordance with criteria, as appropriate from time to time, and are not assessed solely on the basis of who is cheapest, but on a number of issues such as:

- (a) skills and knowledge of the team proposed to do the work;
- (b) quality of work;
- (c) independence of the audit firm;
- (d) lead signing partner and independent review partner rotation and succession planning policy;
- (e) value for money; and
- (f) ethical behaviour and fair dealing.

2 Appointment of external auditors

The Board identifies and recommends an appropriate external audit partner for appointment by the Board and/or the Company in general meeting. The appointment is made in writing.

3 Rotation of external audit partners

The external auditor is required to rotate its audit partners so that no partner of the external auditor is in a position of responsibility in relation to the Company's accounts for a period of more than five consecutive years. Further, once rotated off the Company's accounts no partner of the external auditor may assume any responsibility in relation to the Company's accounts for a period of three consecutive years. This requires succession planning on the part of the external auditor, a process in which the Company is involved.