Non Audit Services (NAS) Policy

POL - Evolution Policy

1 Purpose

The purpose of this policy is to document the “Concurrence Framework” in respect of non-audit services provided by the external auditor.

2 Scope

This policy applies to the Evolution Mining Ltd and its controlled entities (“the Group”) and details the requirements and responsibilities associated with engaging the external auditor for non-audit services. The objective of the policy is to preserve external auditor independence.

3 Background

APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited requires that concurrence by those charged with governance be obtained regarding the permissibility of non-audit services prior to accepting an engagement to provide non-audit services to a public interest entity audit client or to entities controlled by or controlling the public interest entity.

Evolution Mining Limited (“Evolution” or the “Company”) is required to have an appropriate concurrence framework. This applies to all non-audit services provided by the external auditor to the Group. It applies to all engagements of the external auditor irrespective of the value of the non-audit services to be performed or the materiality of the entity receiving the service relative to the size of the Group taken as a whole.

‘Non-audit services’ is defined as any services provided by the external auditor which are not included in, or are not necessarily incidental to, the terms of the audit engagement. ‘Non-audit services’ do not include ‘prohibited non-audit services’ that are referred to in Appendix A. ‘Prohibited non-audit services’ are services that, if provided by the external auditor to the company, would create a real or perceived threat to the independence of the external auditor.

4 Framework

Evolution has established the following requirements and limitations for the approval of non-audit services by the External Auditor.

a) All non-audit services must be communicated to the Chief Financial Officer (“CFO”)
b) No individual engagement for non-audit services can exceed $25,000 (excluding GST) without the prior approval of the CFO; and
c) The approval of the Audit Committee is required prior to the engagement of the external auditor for non-audit services more than $100,000 (excluding GST).
d) total non-audit services in a financial year cannot exceed $250,000 (approximately 20% of the external audit fee) without the prior approval of the Audit Committee.

The specific approval of the Audit Committee is required before the external auditor is engaged to provide any services which are not within the pre-approvals or delegations set out above (or which exceeds the limits on those pre-approvals or delegations).

The approval process will be coordinated through the Chief Financial Officer. Approval of the Audit Committee is to be delegated to the Audit Committee Chair.

5 Responsibilities and accountabilities

The individual engaging the external auditor for a non-audit engagement is responsible for negotiating with the external auditor the terms and conditions for the work that is to be undertaken. The individual engaging the external auditor is required to advise and obtain approval from the Chief Financial Officer prior to any work commencing.

The Chief Financial Officer is required to ensure that any approvals required by this policy are obtained prior to any work commencing.

The Australian Corporations Act 2001 requires a statement by the Directors that they are satisfied that the services provided by the external auditors do not compromise external auditor independence.

Factors that the Directors must consider in making this statement include:

- The level of fees paid for the provision of other services as a proportion of total fees paid to the external auditor.
- Whether the compensation of individuals employed by the external auditor who are performing the audit of the Group is tied to the provision of other services which would impair the external auditor's independence.
- Whether the individuals performing the audit would also be involved in providing other services.
- Whether the audit fees are sufficient to adequately compensate the external auditors or whether the audit fees are at a level that could increase the need for the external auditor to perform other services to make the external audit commercially viable.
- The Independence Declaration required to be provided by the external auditor which is required to identify whether there have been any contraventions of external auditor independence requirements.

6 Reporting

The Chief Financial Officer is responsible for monitoring the services provided by the external auditor. A report in relation to the external auditor's services, including the ratio of expenditure on non-audit services relative to audit services will be provided to the Audit Committee annually.

The external auditor will also report to the Audit Committee on an annual basis regarding the audit and non-audit services it is providing, including the status of such services and the effect of providing those services on its independence.

7 Appendix A: Prohibited non-audit services

The external auditor must not provide services that impair, or appear to impair, their independence as external auditor. Generally, services that are prohibited include those where the external auditor:

- Participates in activities that are normally undertaken by management.
- Is remunerated by way of success fees, contingent fees or commissions.
- Acts in an advocacy role.
- May be required to audit their own work.

The following services must not be provided by the external auditor to Evolution or its controlled undertakings:

- Book-keeping, preparation of, and other services in relation to, accounting records and financial statements
- Payroll services
- Acting as an employee (including secondment arrangements)
- Performing internal audit services
- Providing advice on deal structuring and related documentation
- Providing tax planning and strategic advice
- Providing IT systems services
- Providing design or implementation services for financial information systems including internal controls over financial reporting and accounting records
- Acting as a broker dealer, promoter or underwriter
- Providing legal services including litigation support