Policy on Selection, Appointment and Rotation of External Auditors

1. Selection of external auditors

(a) Should there be a vacancy for the position of external auditor, Entropy Neurodynamics Limited (ACN 163 765 991) (**Company**), through the Board, will conduct a formal process, either general or selective, to select which audit firm will fill the vacancy.

(b) 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 and criteria relevant to the business of the Company such as:

(i) experience in the industry in which the Company operates;

(ii) skills and knowledge of the team proposed to do the work;

(iii) quality of work;

(iv) independence of the audit firm;

(v) lead signing partner and independent review partner rotation and succession planning policy;

(vi) value for money;

(vii) ethical behaviour and fair dealing; and

(viii) any other matters deemed relevant by the Board.

The Board may consider the matters outlined in the Australian Securities and Investments Commission Information Sheet 196 *Audit quality*: *The role of directors and audit committees* under the heading "Assessing potential and continuing auditors".

(c) Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company, and an ability to maintain independence through the engagement period.

2. Appointment of external auditors

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as per the recommendations of the Audit and Risk Committee (or its equivalent). Any appointment made by the Board is subject to confirmation by shareholders at the next Annual General Meeting of the Company. The appointment is made in writing. In recommending the appointment of an auditor to members, the Board may consider the matters outlined in Australian Securities and Investments Commission Information Sheet 196 *Audit quality: The role of directors and audit committees* under the headings "Recommending the appointment of an auditor" and "Assessing potential and continuing auditors".

3. Review of external auditor

The Audit and Risk Committee (or its equivalent) will review the performance of the external auditor on an annual basis and make any recommendations to the Board. The Audit and Risk Committee (or its equivalent) may refer to the matters outlined in the

Australian Securities and Investments Commission Information Sheet 196 *Audit quality: The role of directors and audit committees* under the heading "Assessing potential and continuing auditors" when reviewing the performance of the external auditor.

4. 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 financial 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 at least two successive financial years unless there are compelling reasons to extend the engagement of that partner for not more than an additional two successive years and otherwise in accordance with the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**). This requires succession planning on the part of the external auditor in accordance with professional standards as current from time to time, including Part 2M.4 Division 5 of the Corporations Act, a process in which the Company is involved.