

E&A Limited
ACN 088 588 425
("Company")

Policy on Independence of Directors

This policy has been ratified by the Board of Directors of E&A Limited on 24 October 2007


Chairman

Next due for review October 2008.

Revision History
Version No
1

Date Approved by the Board
24 October 2007

1. PURPOSE

The purpose of this Policy on the Independence of Directors ("**Policy**") is to:

- 1.1 outline the criteria used by the Board of Directors of the Company ("**Board**") in assessing the independence of the Directors of the Company; and
- 1.2 outline the Company's policy regarding disclosure to shareholders of the Company's assessment of the independence of Directors of the Company including any issues that may affect the independence of a Director.

The Directors of the Company will be assessed by the Board in accordance with this Policy.

Directors will be required to submit the information provided in Part 4 of this Policy to enable the Board to determine each Director's Independence in accordance with Part 3 of this Policy.

2. DEFINED TERMS

Terms in this Policy have the meaning prescribed to those terms in the Corporations Act 2001 (Cth) unless an alternative meaning is defined throughout this Policy.

3. CRITERIA FOR INDEPENDENCE

The Board will use the following criteria to determine whether a Director is Independent.

An Independent Director is a director who is a non-executive director and:

- 3.1 does not hold more than 5% of voting power in the Company or its Related Bodies Corporate and is not an officer of, or otherwise associated directly with another shareholder of the Company or its Related Bodies Corporate holding more than 5% of voting power;
- 3.2 the Director has not been employed in an executive capacity by the Company or any of its Related Bodies Corporate within the last three (3) years, or been a director after ceasing to hold such employment;

- 3.3 in the last three (3) years has not been a principal or officer of a material professional adviser or consultant to the Company or any Related Body Corporate or been an employee materially associated with the provision of such services;
- 3.4 is not a material supplier or customer of the Company or a Related Body Corporate (or an Officer or Shareholder of, or otherwise directly or indirectly associated with a supplier or customer of the Company or a Related Body Corporate);
- 3.5 is not in a material contractual relationship with the Company or a Related Body Corporate (apart from the contract for the position as an Independent Director of the Board);
- 3.6 the Board believes considering all relevant factors that the Director will exercise independent judgment.¹

The Board will assess the independence of Directors in accordance with the above criteria and any other factors which may be relevant in a particular situation including the materiality of any relationship on a case by case basis.²

4. INFORMATION REQUIRED FROM DIRECTORS

The Board may collect and consider all information which the Board, in its absolute discretion, deems to be relevant in assessing the Independence of a Director in accordance with this Policy.

Directors have an obligation to disclose to the Company all information pertinent to the criteria set out in Part 3 including, without limitation, family relationships or directorships which may be or perceived to be relevant in assessing the Director's independence.

Directors have an ongoing obligation to volunteer information as the Director's circumstances change.

The Board will regularly review the independence of each Director based on the above information and criteria.

5. DISCLOSURE

The Company will disclose the identity, skills, experience and expertise of each Independent Director in the Company's Annual Report. Where a Director has been assessed and does not meet the criteria for Independence, the Company will explain the reasons why that Director is not deemed to be Independent.

The Annual Report will disclose all material relationships and business of each Director and each Director's period of office. Material relationships may include relationships or circumstances which do not affect the Director's independence, but that may be perceived as capable of influencing a Directors ability to act in the best interest of the Company.

¹ The Board must consider the family relationships and cross-directorships of Directors as to whether they may compromise the Director's independence.

² Unless otherwise specified, materiality for this purpose is determined on both a quantitative and qualitative basis. It is presumed to be material if it is equal to or greater than 10% of the appropriate base amount, unless there is a qualitative reason to the contrary.