

LAMPRELL PLC (THE COMPANY)

POLICY ON EXTERNAL AUDITOR INDEPENDENCE ADOPTED BY THE BOARD ON 24TH SEPTEMBER 2008 AMENDED ON 13 AUGUST 2009

Lamprell plc (the “Company”), including all its consolidated subsidiaries, (the “Group”), will only use the appointed external auditor (“External Auditor”) to provide services in cases where these services do not conflict with the auditor’s independence.

In line with current rules and regulations in the United Kingdom, the External Auditor must be independent of the company both in fact and appearance to ensure that the External Auditor is capable of exercising objective and impartial judgement on all issues encompassed within his engagement. The External Auditor is not independent if he/she directly or indirectly, maintains a financial, employment or businesses relationship with Group or provides services which:

- create a mutuality of interest;
- place the auditor in a position to audit his/her own work;
- result in the auditor acting as a Group manager or Group employee; or
- put the auditor in the role of advocate for Group.

Services provided

Consistent with the abovementioned policy, the External Auditor is entitled to provide the services specified below as audit, audit related, tax and other services.

Audit services

- a. issuing audit opinions on the Group’ consolidated financial statements;
- b. issuing audit opinions on the statutory financial statements of the holding company and its subsidiaries; and
- c. reviews of interim financial statements.

Audit related services

Audit related services are assurance services or other work traditionally provided to Group by the External Auditor in his role as external auditor. They usually result in a certification or specific opinion on an investigation. These audit related services include:

- a. audits of businesses acquired or to be sold & due diligence services;
- b. employee benefit plan audits;
- c. opinions/audit reports on information provided by the company upon request from a third party (prospectus, comfort letter);
- d. forensic audits;
- e. advice on accounting policies and financial reports; and
- f. EDP audits.

Tax services

Tax services may include local tax compliance, advice on tax planning and advice on transfer pricing issues, including all services performed by the External Auditors professional staff in its tax department, except those rendered in connection with the audit. In addition tax services can encompass licensing or selling income tax preparation software to Group.

Other services

Other services are provided by the External Auditor but not directly related to the audit of the financial statements. These include sustainability audits/reviews and royalty audits.

Fee

The Audit services will be pre-approved by the Audit Committee on the basis of the annual audit services engagement agreed with the External Auditor.

All other services unless pre-approved by the Audit Committee in its first meeting of each calendar year need specific pre-approval of the Audit Committee.

Further in respect of tax services and other services that are not pre-approved by the Audit Committee a tender process is required for work anticipated to generate fees of above USD 250,000.

The total annual fee for tax and other services shall not exceed the sum of the annual fees for audit and audit-related services.

Pre-approval

Proposed services either may be pre-approved without consideration of specific case-by-case services by the Audit Committee (general pre-approval) or be specifically pre-approved by the Audit Committee (specific pre-approval). Unless general pre-approval has been given at the beginning of the year all proposed services require specific pre-approval. Any services exceeding pre-approved cost levels or budgeted amounts will also require specific pre-approval. The general pre-approval will be based on an itemized overview of services to be provided. The term of any general pre-approval is 12 months from the date of the pre-approval unless the Audit Committee states otherwise.

The Audit Committee may delegate pre-approval authority to its Chairman or to individual members provided that decisions by the Chairman or the delegated member shall be presented to the full Audit Committee in its next meeting.

Prohibited services

Under the Group policy of auditor independence, the External Auditor may not provide the following categories of services:

- a. appraisal or valuation services, fairness opinions or contribution in kind reports;
- b. financial information systems design and implementation;
- c. bookkeeping;
- d. management functions;
- e. human resources;

- f. broker-dealer, investment advisor or investment banking;
- g. legal;
- h. internal audit outsourcing; and
- i. actuarial.

Rotation of key audit partners

Group requires its External Auditor to adhere to a rotation policy that is widely accepted and provides an appropriate balance between going concern considerations (effectiveness and efficiency, e.g. audit costs), risk management, independence and credibility. This necessitates a rotation of the lead audit partner, concurring review partner and, if applicable, “relationship” partner after a maximum period of five (5) years. Other audit partners who are members of the audit engagement team will rotate after a maximum period of seven (7) years. The starting measurement date for this rotation policy is 1-1-2007.

Appointment of auditor

The External Auditor will be appointed in accordance with the provisions of the UK Companies act 2006 and accordingly retire at the end of each annual general meeting of the Company and be eligible for reappointment on the recommendation of the Audit Committee.

Responsibility of the external auditor

The External Auditor will maintain a quality control system that provides reasonable assurance that its independence will not be impaired. The External Auditor will report annually to the Audit Committee of on all aspects concerning independence, including possible conflicts with this policy, if any. The External Auditor will annually confirm its independence in writing.

Responsibility of the Audit Committee

Each year the Audit Committee will formally evaluate the auditor independence issue, document its position on this matter, and address any changes to this Policy or situation as needed.

Hiring arrangements

Group and the External Auditor agree on a restricted hiring policy:

- a. Group will not hire partners or managers of the External Auditor who have been involved in the Group audit or in the audit of Group’ subsidiaries within the preceding two (2) years to a position which could have a material influence on the Group’s accounting policies or the content of the financial statements;
- b. the External Auditor will not hire any officer, director or employee of Group for involvement in the Group audit within two (2) years after termination of their employment agreement with Group.

Communication

The Company will communicate its policy on auditor independence to stakeholders by publication of this policy on its website and disclose in its annual report the audit and non-audit fees incurred for professional services provided by its External Auditor during the reporting period. In this disclosure the total fee of the External Auditor will be broken down in fees for audit services, audit related services, tax services and other services.

This policy is effective from the date of its adoption by the Audit Committee.