

### 4 PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### 4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2:** The audit committee should be structured so that it:
  - a) consists only of non-executive directors
  - b) consists of a majority of independent directors
  - c) is chaired by an independent chair, who is not chair of the board
  - d) has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

#### 4.2 The Company's practice:

##### ***Audit Committee***

The Board has not established a separate audit committee. This function is performed by the role of the full board.

The processes the Board applies in performing this function include:-

- reviewing internal control and recommending enhancements,
- monitoring compliance with Corporations Act 2001, Stock Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions,
- improving the quality of the accounting function,
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management,
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner, and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

##### ***Audit and Compliance Policy***

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets regularly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the Consolidated Entity.



# CORPORATE GOVERNANCE

GOLDEN GATE PETROLEUM LTD

## PRINCIPLES AND RECOMMENDATIONS

The Board, consisting of members with financial expertise and detailed knowledge and experience of the oil and gas exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Managing Director declared in writing to the Board that the Company's financial reports for the year ended 30 June 2009 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.