



# **GOLDEN STATE RESOURCES LIMITED**

## **CORPORATE GOVERNANCE POLICY**

Golden State Resources Limited ("Golden State" or "the Company") is listed on the Australian Stock Exchange ("ASX"). The Company is relatively small with a simple corporate structure and its financial and management control requirements are tailored accordingly. It adheres to the ten Essential Corporate Governance Principles as published by the ASX Corporate Governance Council and has adopted those of the Best Practice Recommendations which its Board of Directors ("the Board") considers to be relevant and essential for the efficient management of the Company and its business whilst safeguarding shareholder assets in the context of the inherent and well understood high risk nature of the exploration industry.

The following is a summary of the Corporate Governance measures adopted by Golden State:

### **BOARD AND MANAGEMENT**

#### **(a) Objectives of the Board**

The Board's key objectives are the addition of value to corporate assets whilst safeguarding shareholders' rights and interests together with the provision of an appropriate overview of management. With this in mind, the Board meets regularly in the discharge of its responsibilities.

#### **(b) Board Responsibility**

The Board focuses the Company on the investigation of exploration opportunities in the natural resource business which are judged to have the potential for success without exposing the Company to undue risk by establishing and maintaining adequate management control through monitoring systems which include:

- (i) continually reviewing the performance of the Company and its executives, including management and financial performance, overseeing strategy implementation and where necessary ensuring appropriate resources are available. The board retains the right to replace the executive management of the Company;
- (ii) at regular Board meetings, reviewing, approving and amending where necessary the Executive Director's annual programmes and budgets and the Company's overall corporate objectives;
- (iii) putting in place systems of risk management and legal control mechanisms and ensuring their effectiveness;
- (iv) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- (v) maintaining responsibility for the overall financial management of the Company with the ability to approve the appointment (if necessary) of a financial officer and to replace the Company Secretary;
- (vi) monitoring and approving financial and other reporting;
- (vii) supervising the overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities to ensure division of functions remain appropriate to corporate needs ;
- (viii) liaising with the Company's external auditors;

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- (ix) monitoring, and ensuring compliance with all of the Company's legal obligations, in particular those relating to the maintenance of the Company's natural resource assets, the environment, native title, cultural heritage and occupational health and safety requirements.

Within the above framework the Board retains the ability to delegate some of its responsibilities; however, to date, the size of the Company and the nature of its operations have resulted in minimal delegation.

The Company formalises director's appointments in writing. Non-executive directors receive a letter of appointment; executive directors enter a contract with the Company.

(c) **Materiality**

The Board adopts the following guidelines, which are deemed appropriate for a company of the maturity and size of Golden State, for assessing the materiality of matters:

- (i) Quantitative
  - All balance sheet and profit and loss items greater than \$50,000 are considered material.
- (ii) Qualitative
  - (a) any matters which impact on the reputation of the Company and/or its Board;
  - (b) any activities of the Company, its joint venturers, employees or contractors which may involve a breach of legislation or are in the Board's view outside the ordinary course of its business;
  - (c) any matter which might negatively affect the Company's rights to its assets;
  - (d) any activity of the Company its joint venturers, employees or contractors which has the capacity to involve a contingent liability that would in the Board's view have a potential material effect on the Company's balance sheet or a similar effect on one or more profit and loss items.
- (iii) Contracts

Golden State is a relatively small company and its Directors consider most contracts entered into by the Company to be material. With the exception of day to day agreements the responsibility for which fall upon the executive directors, all Contracts are subjected to review by the Board.

**STRUCTURE OF THE BOARD**

The Board is comprised of one independent non-executive director (the Chairman), and two executive directors.

(a) **Independent Directors**

There is one independent director on the Board, being the non-executive Chairman. Given the relatively small size of the Company this board structure is considered appropriate, providing an adequate mix of independent and executive directors.

If the shareholders approve the change of activities and scale of the Company this will be reviewed with a view to increasing the ratio and number of independent directors.

(b) **The Chairman**

The Chairman is a non-executive, independent director and is responsible for leadership of the Board and for the efficient organisation and conduct of the Board. He also retains overall responsibility, subject to management input, for communication with shareholders.

(c) **The Executive Director**

The Executive Director runs the Company on a day-to-day basis pursuant to authority delegated by the Board and is responsible for the implementation of Board and corporate policy and planning in accordance with approved programmes and budgets. The Executive Director reports to the Board regularly and is under an obligation to make sure that all reports which he presents give a true and fair view of the Company's activities and its then current financial status.

(d) **Director - Exploration**

The Director-Exploration is the executive director responsible for the technical aspects of the Company's operations and for assisting the Executive Director in the day-to-day management of the Company.

(e) **Nomination for board positions**

The Board will decide on the choice of any new director(s) upon the creation of any new board position and/or if any casual vacancy arises. Decisions to appoint new directors will be minuted. The relatively small size of the Company and the Board does not warrant the appointment of a nomination committee.

(f) **Independent professional advice**

Each Director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required and will not be unreasonably withheld.

## **ETHICAL AND RESPONSIBLE DECISION MAKING**

(g) **Code of Conduct**

The Board adheres to and is responsible for enforcing the Corporate Code of Conduct set out in this Corporate Governance Statement.

(h) **Policy on share trading**

Directors, officers and employees are prohibited from dealing in Golden State's shares when they possess inside information. The Board is to be notified promptly of any trading of shares in the Company by any Director or officer of the Company.

## **FINANCIAL REPORTING INTEGRITY**

(a) **Financial Reports**

The Executive Director and the Company Secretary are required to confirm in writing to the Board that the Company's half year and full year financial reports 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.

(b) **Audit Committee**

The Directors do not consider that the Company's affairs are of such a size and complexity as to merit the establishment of a separate audit committee. Until this situation changes, the Board of Golden State will carry out any necessary audit committee functions. There is no charter in place for carrying out these functions.

The Board monitors the form and content of the Company's financial statements; it also has an overview of the Company's internal financial control and audit system and risk management systems.

Additionally, on an annual basis the Board, in line with its overall responsibility to shareholders, reviews the performance of the external auditor and the continuation of that appointment. Directors also approve the remuneration and terms of engagement of the external audit firm. Any appointment of a new external auditor is submitted for ratification by shareholders at the next annual general meeting of the Company.

## **TIMELY AND BALANCED DISCLOSURE**

Detailed compliance procedures, to ensure timely and balanced disclosure of information in line with ASX Listing Rule disclosure requirements and Continuous Disclosure Guidelines, have been noted and adopted by the Company. The Company Secretary is charged with ensuring that any necessary steps which need to be taken by the Company are brought before the Board for discussion and, subject to amendment, approval.

## **RIGHTS OF SHAREHOLDERS**

Golden State maintains a website at [www.goldenstate.com.au](http://www.goldenstate.com.au)

Under various headings Golden State shareholders may find all recent information on the Company, its recent ASX releases, its projects and its Corporate profile. Shareholders may also contact the company and request a copy of the Company's ASX releases.

The Board has adopted a formal shareholder communication policy, which appears on the Company's website.

The Company invites the external auditor to attend its annual general meeting and to be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

## **MANAGEMENT OF RISK**

Consistent with the compliance systems detailed elsewhere in this statement the Board takes responsibility for the risk management of the Company.

The Company does not have a formal risk management policy. However the Board routinely reviews corporate risk and supervises internal compliance and control systems. The Executive Director is responsible to the board for ensuring the systems are complied with and is required annually to make a statement to the board in writing to this effect.

Whilst high priority is given to the management of risk in the Company current and potential investors are reminded that they are investors in a company engaged in exploration activities which by their very nature are high risk and where successful may give rise to high rewards.

## **PERFORMANCE EVALUATION OF THE BOARD AND MANAGEMENT**

The Chairman conducts regular informal reviews of Board and management performance including that of the Company Secretary on at least an annual basis.

## **REMUNERATION OF DIRECTORS & EXECUTIVES**

Executive directors are engaged on service contracts with a company related to the Director. The Chairman carries out an annual review of the adequacy of his remuneration which may include participation in share incentive arrangements. The Chairman and Executive Director review the Exploration Director's remuneration annually.

The size of Golden State and the current remuneration of the non-executive Chairman are not considered of a size and nature to warrant independent review.

At the current scale of the Company it is considered effective to include non-executive directors in the directors option schemes. This may be reviewed with future changes in the scale of the Company.

Details of directors' and executives' remuneration are set out in the annual Financial Report in accordance with accounting standards.

## **CORPORATE CODE OF CONDUCT**

Golden State Resources is committed to:

- (i) applying the Company's funds efficiently to provide above average and sustainable returns to shareholders through both capital appreciation and the payment of dividends when in a position to do so;
- (ii) adopting high standards of occupational health and safety, environmental management and ethics;
- (iii) ensuring that all of its business affairs are conducted legally, ethically and with integrity.

### **(a) Corporate Responsibility**

The Company complies with all legislative and common law requirements that affect its business, particularly environmental regulations, native title and cultural heritage laws.

### **(b) Employment**

The Company policy is to employ the best available staff. At this stage in the Company's development all potential employees are subject to full Board scrutiny.

### **(c) Third Parties**

The Company treats third parties in a fair and reasonable manner and does not engage in deceptive practices.

### **(d) Conflict of Interest**

The Board and the executives are obligated to avoid situations of real or apparent conflict of interest between them as individuals and as Directors or employees of Golden State. If a situation where a conflict of interest arises the Chairman is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition.

### **(e) Breach of Corporate Governance**

Any breach of Corporate Governance is to be reported directly to the Chairman.

### **(f) Review of Rules of Corporate Governance**

The Board through the Chairman monitors the Company's compliance with the Rules periodically.

This policy is published in the Company's annual report and on its website.