



GOLDEN GATE PETROLEUM LTD

(A B N 3 4 0 9 0 0 7 4 7 8 5)

1st Floor, 8 Colin Street
West Perth WA
Australia 6005

Telephone: +61 8 9324 1177
Facsimile: +61 8 9324 2171



PO Box 453
West Perth WA
Australia 6872

Email: admin@ggpl.com.au
Website: www.ggpl.com.au

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FARM-OUT OF PADRE PROSPECTS

The Board of Golden Gate Petroleum Ltd ("Golden Gate") is pleased to announce that it has entered into an Agreement to farm-out some of its drilling costs at Padre Island in Texas USA. Pantheon Resources, a private company, has signed an Agreement to farm-in to a 25% working interest in the Padre Island leases owned equally by Long Flat Ltd (a 100% owned subsidiary of Golden Gate) and Lodore Resources Inc (a 100% owned subsidiary of IB Daiwa Corp, a company listed on the Tokyo stock exchange).

Interests to be acquired

Long Flat and Lodore Resources shall assign to Pantheon Resources a total 25% working interest in the leases it holds covering the following exploration prospects within the Padre Island Project Area:

- a. Plum Deep, from 9,500 to 15,000 feet;
- b. Manzano Deep, from 10,500 to 16,500 feet;
- c. Murdock, all depths from surface;
- d. Lemonseed, all depths below 9,100 feet;
- e. Wilson, all depths from surface; and
- f. Kingsway, all depths from surface.

Consideration

As part of the Agreement Pantheon Resources is required to make an earnest payment of US\$200,000 ("Deposit") on or before 22 December 2005. The Deposit is to be credited against any acreage payments due under the Letter Agreement.

An acreage payment of US\$1,054,025, following the execution by the parties of a farm-out agreement ("Agreement"). This payment should be made on or before 28 February 2006, or on such date as mutually agreed between Pantheon Resources and the Long Flat/Lodore JV.

Pantheon will pay 33.333% of the costs of drilling an exploration well down to its planned total depth in each of the prospects. Once a well has reached its planned total depth and casing has been run Pantheon will only be required to bear further costs in proportion to its 25% working interest.

Comments

The farming out of the drilling programme is a critical step in moving forward with exploration drilling on Padre Island and Golden Gate is delighted to have signed this Agreement with Pantheon Resources. However, the Agreement will need to be converted to a formal binding Farm-out Agreement over the coming months, once all documentation and finances are put in place.

As a result of this Agreement, Golden Gate and Lodore will both reduce their respective interests in the Padre Island Project from 50% to 37.5%. This will significantly reduce the Company's drilling expenditure obligations at Padre to a level more acceptable for a company the size of Golden Gate. Golden Gate is also in discussion with other parties on potentially farming-out some additional interest. Golden Gate is aiming to end up with a 25-30% interest in the high impact prospects of the Padre Island Project.

It has taken a long time to get the Padre Island Project back on track and recommence exploration. At the beginning of this year, Golden Gate had a 10% working interest in the Padre Island Project. After a series of transactions which involved little capital outlay, Golden Gate has been able to more than treble its interests in the Project, and now subject to formal closure will be partially carried through future exploration drilling. Exploration drilling has already recommenced at Padre Island with the shallow Plum well (Dunn-Peach #6), however the deeper high impact wells are expected to be drilled in the first half of 2006 or as soon as possible.

The simultaneous acquisition of production along with the exploration rights more than doubled Golden Gate's production at an opportune time when US gas prices reached record levels. This production could almost double again in the event of any one successful shallow well. In other words, Golden Gate is in a position to quadruple its gas production over the course of the year at a time when gas prices have more than doubled. This would obviously have a significant impact on cash flows.

The first prospect to be drilled as part of this farm-in Agreement is Plum Deep which is a particularly exciting prospect. Drilling costs are estimated to be around US\$9 million, the P50 potential reserves are in excess of 290 bcf and represents material upside for Golden Gate shareholders, especially with the increase in equity from 10% to a minimum of 25%.

For further information contact:

Sam Russotti
Managing Director
Phone +61 2 6587 4348

Mike Bell
Chief Operating Officer - USA
Phone +1 713 334 0986