

**GOLDEN GATE PETROLEUM LTD AND ITS
CONTROLLED ENTITIES
ABN 34 090 074 785**

Half-Year Financial Report

31 December 2004

**GOLDEN GATE PETROLEUM LTD AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2004
DIRECTORS' REPORT**

The directors present their report for the half-year ended 31 December 2004.

Directors

The directors of the Company at any time during or since the end of the half-year are:

Frank Petruzzelli – Non-Executive Chairman
Sam Russotti – Managing Director
Craig Burton – Non-Executive Director

Review and results of operations

The principal activity of the consolidated entity during the half-year was exploration and evaluation of oil & gas interests. The loss for the consolidated entity for the half-year ended 31 December 2004 was \$4,342,056 (31 December 2003: loss \$1,241,834).

During the half-year, the Company concentrated on continuing exploration and evaluation on its projects and reviewed acquisition of other projects.

Half Year Summary:

- Syd – A3 and A2 flow gas during tests
- Pipeline completed and Syd – A1 tied in
- Re-completion of well #2501 in progress
- Mini frac performed on zone 3 in Homerun
- Future Drilling Programmes
- Fundraising of \$2m

Bethany – Texas (100% WI)

SYD – A3/A2

The Company drilled Syd – A3 and Syd – A2. During testing flow rates were estimated at 200 to 300 mcf per day and 375 to 420 mcf per day through a 16/64 inch choke respectively. Both wells are producing small amounts of water which is impeding the flow of gas and causing the wells to periodically shut down. A pumping unit will be installed in order to remove the water and maintain a consistent flow of gas.

SYD – A1

The thin Paluxy sand (2 to 3 feet thick) originally completed in the well has rapidly declined indicating that there is limited lateral extent to that reservoir in this location. The well has been shut in and plans are being made to re-complete the well in one of two other zones each of which are thicker than the Paluxy. This operation will most likely occur along with the tie in of Syd A2 and A3.

WELL # 2501

An attempt at re-completing Well#2501 (an existing oil well) in the Paluxy gas sand met with partial success. When first opened up the well flowed strongly but rapidly declined. Subsequent shut in of the well still results in a rise in tubing pressure implying that there remains gas in the reservoir. Swabbing of the well has recovered drilling mud. Since drilling mud was not used during the re – completion the conclusion is that it is coming from behind the well casing and implies that the cement behind the casing is faulty and the perforations are been blocked by debris. Future operations are planned to repair the cement by injecting new cement through the perforations. The zone will then be re-perforated and tested.

Homerun – 1 (10% Working Interest) – Location: Padre Island

Padre Island Joint Venture agreed to terminate efforts to flow zone 2 and to instead perforate and flow test zone 3. This decision was based on expert interpretation that the continued production of formation and consequential blockage of the production tubing was due to the failure and partial collapse of the well casing immediately above the zone 2 perforations. On future Homerun appraisal wells this problem will likely be addressed by using smaller diameter casing with higher strength specifications.

Zone 3 was subsequently perforated. Swabbing of the zone failed to produce a sustained flow of gas however 14 bbls of oil were recovered from the pipe. The zone has since been subjected to a mini frac of 75 barrels and the well was shut in and pressure movement monitored and recorded. The pressure has stabilised at 3,100 psi and the data has been sent to an independent expert for review. The well has not flowed after the mini frac and the report from the independent expert concluded that flow rates likely to result from a full frac would not be economic. The joint venture is currently evaluating its options concerning the future of the well which include side tracking the well back to zone 2 or plugging and abandoning the well.

Production

During the half year Golden Gate's estimated share of production from its USA operations was 35.7 million cubic feet of gas and 196 barrels of oil.

Future Drilling Programme

Prospect Name	Current Anticipated Start Date
Bethany (to be named)	April 2005
Bethany (to be named)	May 2005
Bethany (to be named)	June 2005
Manzano	3 rd quarter 2005
Murdock South	TBA
Plum Deep	TBA

Corporate

In August the company issued 200,000 unlisted options to Mark Freeman, Company Secretary. The options are exercisable to 33 cents on or before 19th August 2008.

On 19 November 2004 the Company placed 6,667,066 shares at 30 cents each to raise AUD\$2 million. The funds raised from the placement will be used to accelerate the proposed drilling program at the Bethany Project.

On 22 December 2004 the Company announced its Small Shareholder Sale Facility to all shareholders who have less than a marketable parcel. The facility closed on 4 February 2005 with 941 shareholders holding 428,728 shares involved in the plan.

The Company's Annual General Meeting was held on 30 November 2004. All resolutions were carried on a show of hands. Shareholders approved the issue of 400,000 and 300,000 unlisted options (exercisable at 33 cents on or before 1 December 2008) to directors, Sam Russotti and Frank Petruzzelli respectively.

The Board also issued 300,000 unlisted options to Don Boyd, Drilling Manager for the Bethany Project, as part of his remuneration package. The options are exercisable at 33 cents on or before 1 December 2008. The options vest pro-rata over a 12 month period, being fully vested by 1 December 2005.

The Company's capital structure is as follows:

Issued Shares	138,461,951
Options	
Listed Options exercisable at 65 cents on or before 31 December 2006	28,461,629
Unlisted Options exercisable at 30 cents on or before 11 August 2006	11,000,000
Unlisted Options exercisable at 20 cents on or before 31 May 2006	960,000
Unlisted Options exercisable at 40 cents on or before 18 February 2007	800,000
Unlisted Options exercisable at 32 cents on or before 2 March 2007	25,000
Unlisted Options exercisable at 33 cents on or before 19 August 2008	200,000
Unlisted Options exercisable at 33 cents on or before 1 December 2008	1,000,000
Total Options	42,446,629

Auditor Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, Ernst & Young, to provide the directors of Golden Gate Petroleum Ltd with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is attached to the Review Report to members.

On behalf of the
Board of Directors



Sam Russotti
Managing Director
25 February 2005

The hydrocarbon information in the release is compiled by Mr Sam Russotti, BSc (Geol) who has 31 years relevant experience in the Oil and Gas Industry.

GOLDEN GATE PETROLEUM LTD AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2004
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE

	Consolidated	
	2004	2003
	\$	\$
Revenues from gas sales	248,984	196,056
Revenue from sale of assets	84,422	256,276
Other revenue from ordinary activities	5,153	26,930
Total Revenue from ordinary activities	338,559	479,262
Depletion Costs	(230,580)	(196,056)
Exploration expenditure written off	(4,045,098)	(1,108,570)
Carrying value of assets sold	(39,862)	-
Depreciation expenses	(6,760)	(7,667)
Other expenses from ordinary activities	(358,315)	(408,803)
Loss from ordinary activities before income tax expense	(4,342,056)	(1,241,834)
Income tax relating to ordinary activities	-	-
Net loss attributable to members of the Company	(4,342,056)	(1,241,834)
Capital raising expenses taken directly to equity	(14,107)	(266,079)
Total changes in equity other than those resulting from transactions with owners as owners	(4,356,163)	(1,507,913)
Basic loss per share	3.26 cents	1.32 cents
Diluted loss per share	3.26 cents	1.32 cents

GOLDEN GATE PETROLEUM LTD AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2004
CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	Consolidated	
		31 December 2004	30 June 2004
		\$	\$
Current assets			
Cash assets		1,931,542	1,451,807
Receivables		154,666	206,047
Other current assets		90,297	298,383
Other financial assets		1,844	41,706
Total current assets		<u>2,178,349</u>	<u>1,997,943</u>
Non-current assets			
Other financial assets		72,482	72,482
Plant and equipment		44,669	50,735
Deferred exploration and evaluation expenditure		17,660,271	20,190,958
Total non-current assets		<u>17,777,422</u>	<u>20,314,175</u>
Total assets		<u>19,955,771</u>	<u>22,312,118</u>
Current liabilities			
Payables		224,727	236,453
Provisions		16,154	7,622
Total current liabilities		<u>240,881</u>	<u>244,075</u>
Non-current liabilities			
Provisions		23,766	20,756
Total non-current liabilities		<u>23,766</u>	<u>20,756</u>
Total liabilities		<u>264,647</u>	<u>264,831</u>
Net assets		<u>19,691,124</u>	<u>22,047,287</u>
Equity			
Contributed equity	2	29,067,158	27,081,265
Option Premium Reserve		480,000	480,000
Accumulated losses		(9,856,034)	(5,513,978)
Total equity		<u>19,691,124</u>	<u>22,047,287</u>

GOLDEN GATE PETROLEUM LTD AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2004
CONDENSED STATEMENT OF CASH FLOWS

	Consolidated	
	31 December	31 December
	2004	2003
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	5,153	26,930
Payment to suppliers	(293,576)	(212,980)
Cash receipts in the course of operations	298,634	419,927
Production Costs	(18,427)	(54,577)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(8,216)	(744,025)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration, evaluation and development expenditure	(1,831,720)	(923,325)
Return of funds held by joint venture operators	255,833	-
Proceeds of sale of tenements	102,000	150,000
Proceeds of sale of equity investments	82,422	52,260
Acquisition of plant and equipment	(694)	(56,931)
Acquisition costs of subsidiary	-	(134,194)
NET CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES	(1,392,159)	11,135
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	2,000,000	2,000,000
Share issue costs	(14,107)	(286,287)
Repay loan from unrelated parties	-	(1,283,199)
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,985,893	430,514
NET INCREASE / (DECREASE) IN CASH HELD	585,518	(302,376)
Add opening cash brought forward at half year	1,451,807	1,984,040
Effects of exchange rate changes on cash	(105,783)	(125,844)
CASH AT THE END OF THE HALF YEAR	1,931,542	1,555,820

GOLDEN GATE PETROLEUM LTD AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2004
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

1 Basis of preparation of half-year financial report

The half-year report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

This half-year financial report should be read in conjunction with the 30 June 2004 Annual Financial Report and any public announcements by Golden Gate Petroleum Ltd and its Controlled Entities during the half-year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of accounting

The half-year is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half-year report has been prepared in accordance with the historical cost convention.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b) Changes in Accounting Policies and estimation methods

The accounting policies and estimation methods adopted are consistent with those of the previous annual reporting period.

2 Contributed equity

	Consolidated	
	31 December 2004	30 June 2004
	\$	\$
Issued and paid-up share capital		
138,416,951 (30 June 2004: 131,749,885) ordinary shares, fully paid	29,067,158	27,081,265
	Number of Shares	\$
<i>a) Movements in ordinary shares on issue:</i>		
Balance as at 30 June 2004	131,749,885	27,081,265
Issue of shares on 19 November 2004	6,667,066	2,000,000
Less: capital raising expenses		(14,107)
Balance as at 31 December 2004	<u>138,416,951</u>	<u>29,067,158</u>

GOLDEN GATE PETROLEUM LTD AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2004
NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (continued)

3 Dividends paid or provided for on ordinary activities

No amounts have been paid, declared or recommended by Golden Gate Petroleum Ltd by way of dividend since the commencement of the half-year.

4 Contingent Assets and Liabilities

Since the last annual reporting date, there has been no material change in contingent liabilities or assets.

5 Segment information

During the half-year Golden Gate Petroleum Ltd operated in one business segment, being the oil and gas industry (primary segment) and two geographical segments (secondary segment) being Australia and USA.

6 Events subsequent to balance date

Subsequent to the end of the half year the Padre Island Joint Venture perforated Homerun Zone 3. The joint venture is currently evaluating its options concerning the future of the well which include side tracking the well back to zone 2 or plugging and abandoning the well. The Company has written off all exploration and evaluation expenditure on Homerun which totalled \$4,045,098. This has been reflected in the half-year results reported as at 31 December 2004. Should the well be plugged and abandoned the Company expects further associated costs of \$100,000.

Other than as stated above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

7 International Financial Reporting Standards

The Australian equivalents to International Financial Reporting Standards (IFRS) are effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes for the first full financial year after implementation, being the year ended 30 June 2006. The company's management continue to assess the significance of these changes and the preparation for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised. The directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS are outlined below. These impacts disclosed may change due to:

- a) further work being undertaken by the IFRS project team, and
- b) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC.

Business combinations – Under the Australian equivalent to IFRS 3 “Business Combinations”, the Company has chosen to utilise the exemption under AASB 1 “Australian Adoption of International Financial Reporting Standards” for all past business combinations;

Deferred Exploration and Evaluation Expenditure – AASB 6 “Exploration for and Evaluation of Mineral Resources” will require the Company to apply “area of interest” accounting to exploration and evaluation expenditures, effectively grandfathering the accounting treatment currently employed by the Company under AASB 1022 “Accounting for Extractive Industries”. Under AASB 6, if facts and

circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level providing this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. The adoption of AASB 6 is not a change in the Company's accounting policy with respect to exploration and evaluation expenditure;

Recoverable Amount – Under AASB 136 "Impairment of Assets", the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount on the basis of undiscounted cashflows. The impact of the adoption of this standard is yet to be quantified by the Company;

Restoration, Rehabilitation and Environmental Costs – Environmental obligations associated with the retirement or disposal and/ or exploration properties will be recognised when the disturbance occurs and is based on the extent of damage incurred. The provision is measured as the present value of the future expenditure. A corresponding rehabilitation asset is also recognised to the extent that the obligation relates to development. The impact of adoption is yet to be quantified by the Company;

Taxes – Under AASB 112 "Income Taxes", the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The impact of the adoption of this standard is yet to be quantified by the Company;

Employee Benefits – Under AASB 2 "Share Based Payments", the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002, which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of the future equity based remuneration plans are unknown; and

Investments – Under AASB139 "Financial Instruments: Recognition and Measurement", the Company will be required to classify its listed investment in Ellendale Resources Ltd as either held for trading or available for sale and recognise its holding in the opening balance sheet, as at 1 July 2004, at fair value. The effect of the adoption of this policy is not considered material by the Company.

GOLDEN GATE PETROLEUM LTD AND ITS CONTROLLED ENTITIES
HALF-YEAR ENDED 31 DECEMBER 2004
DIRECTORS' DECLARATION

In the opinion of the directors of Golden Gate Petroleum Ltd ("the Company"):

- 1 the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth this 25th day of February 2005.

Signed in accordance with a resolution of the directors:



Sam Russotti
Managing Director

Independent review report to members of Golden Gate Petroleum Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Golden Gate Petroleum Limited (the company) and the entities it controlled during the 6 months ended 31 December 2004, and the directors' declaration for the company, for the period ended 31 December 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

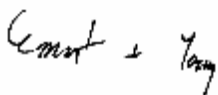
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the director's of the company a written Auditor's Independence Declaration, a copy of which is attached to this report.

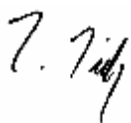
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Golden Gate Petroleum Limited and the entities it controlled during the 6 months ended 31 December 2004 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its performance for the 6 months ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



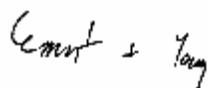
Ernst & Young



V W Tidy
Partner
Perth
25 February 2005

Auditor's Independence Declaration to the Directors of Golden Gate Petroleum Limited

In relation to our review of the financial report of Golden Gate Petroleum Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



V W Tidy
Partner
Perth
25 February 2005