

GOLDEN GATE PETROLEUM LTD

and controlled entities

ABN 34 090 074 785

Financial Report
30 June 2006

CORPORATE DIRECTORY

DIRECTORS	Frank Petruzelli (Chairman, non executive) Sam Russotti (Managing director) Mark Freeman (Finance director)
CHIEF OPERATING OFFICE	Michael Bell
SECRETARY	Mark Freeman
REGISTERED OFFICE	Ground Floor, 8 Colin St West Perth Western Australia 6005 Telephone: (08) 9324 1177 Facsimile: (08) 9324 2171 Email: admin@ggpl.com.au Website: www.ggpl.com.au
SOLICITORS	Blakiston & Crabb 1202 Hay Street West Perth Western Australia 6005
AUDITORS	Ernst & Young 11 Mounts Bay Road Perth Western Australia 6000
SHARE REGISTRY	Advanced Share Registry Services 110 Stirling Highway Nedlands Western Australia 6009 Phone: 08 9389 8033 Facsimile: 08 9389 7871
AUSTRALIAN STOCK EXCHANGE CODES	GGP (Ordinary Shares) GPO (Options)

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The directors of Golden Gate Petroleum Ltd ("Golden Gate" or "the Company") present their report and the financial report of Golden Gate and the entities it controlled ("the Consolidated Entity") at the end of, or during the year ended 30 June 2006.

1. Directors

The directors of the Company at any time during or since the end of the financial year are as follows. Directors were in office for the entire period unless otherwise stated.

Frank Petruzzelli (Chairman, Non-Executive)

Mr Petruzzelli is a principal of MDB & Co, an Australian accounting firm and has been a director of Golden Gate Resources Limited (GGR) since May 2001. He is an accounting and management services specialist and advises many ASX listed companies and large private organisations. Mr Petruzzelli has been a director of the Company since the merger with GGR on 30 June 2003.

Mr Petruzzelli is currently a director for Orchard Petroleum Ltd (appointed December 2001).

Sam Russotti, BSc (Managing Director)

Mr Russotti is a geologist with more than 30 years experience in the petroleum industry. He has been executive director of GGR since May 2001, after ten years as general manager and finance manager of Cultus Petroleum.

Previously, he was planning manager for Peko Oil Ltd from 1987-90. Mr Russotti has been a director of the Company since the merger with GGR on 30 June 2003.

Mark Freeman BCom, CA, ASIA (Finance Director and Company Secretary) Appointed 7 October 2005

Mr Freeman has 10 years of commercial experience in Commercial Banking and Equity Markets with a focus on resources companies. Mr Freeman has been with the Company since 2001.

In addition, Mr Freeman is a graduate of the University of Western Australia with a Bachelor of Commerce with a double major in Banking & Finance and Accounting as well as holding a Graduate Diploma in Applied Finance with a major in Investment Analysis from the Securities Institute of Australia. Mr. Freeman is a member of the Institute of Chartered Accountants Australia and a Fellow of the Financial Services Institute of Australasia.

Mr Freeman is currently a Director of Liberty Gold NL and Capital Intelligence Ltd.

Craig Burton, LLB, BJuris (Non-Executive) Resigned 7 October 2005

Mr Burton has extensive business experience in the natural resources sector and in managing publicly listed companies. He has a track record of providing corporate and financial backing to successful resource projects and technical teams. Over the past 12 years, he has co-founded and assisted the public listing of numerous resource companies and he remains a substantial and active investor in the resources sector. Mr Burton is currently a corporate director of Albidon Limited (appointed 2 June 2002), Mirabela Nickel Ltd (appointed 5 March 2004) and Livingstone Petroleum Ltd (appointed 17 December 2004) and a director of Liberty Gold NL (7 November 2003) and Exco Resources NL (appointed 28 August 2002).

Over the past three years he has also been a director of Halcyon Group Limited (appointed 1 July 2002, resigned 24 November 2004), and Sally Malay Mining Ltd (appointed 28 October 2004, resigned 8 March 2005). He is a member of the Australian Institute of Company Directors.

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Golden Gate Petroleum Ltd ("the Company") were:

	Ordinary Shares	Options over Ordinary Shares		
		Un-Listed	Expiry	Exercise price (\$)
Sam Russotti	272,362 ¹	480,000	18/02/2007	0.44
		400,000	1/12/2008	0.33
		3,000,000	1/12/2008	0.22
Frank Petruzzelli	531,520	300,000	1/12/2008	0.33
		500,000	1/12/2008	0.22
		200,000	19/08/2008	0.33
Mark Freeman	31,731			

1: 201,162 of these shares are held by Mr Russotti on behalf of other people and are not beneficially owned by Mr Russotti.

Directors' Meetings

The number of directors' meetings (including committees) held during the financial year each director held office and the number of meetings attended by each director are:

Director	A	B
Frank Petruzzelli	10	10
Sam Russotti	10	10
Craig Ian Burton	3	3
Mark Freeman	8	8

A – Number of meetings attended

B – Number of meetings held during the time the director held office during the year

2. Principal Activities

The principal activities of the entities within the Consolidated Entity during the financial year were hydrocarbon production and exploration in the United States of America.

3. Results

The net loss after income tax of the Consolidated Entity for the financial year ended 30 June 2006 totalled \$792,915 (2005: \$4,672,580).

4. Dividends

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year, or to the date of this report.

5. Corporate Structure

Golden Gate is a Company limited by shares that is incorporated and domiciled in Australia. Golden Gate has prepared a consolidated report incorporating the entities that it controlled during the financial year.

6. Operating and Financial Review

Overview of the Consolidated Entity

Golden Gate Petroleum Ltd was listed on the Australian Stock Exchange in 2003 as a result of a merger between Canadian listed Golden Gate Resources Ltd and Valdera Resources Ltd. In 2006 the Company expanded its strategy in the USA following the acquisition of Mitsui's (Moex) and Medco's (Novus') interests in the Padre Island Project and then subsequently farming down its interest to Lodore Resources Ltd and Pantheon Resources PLC. The Company further entered into a JV agreement with BNP which resulted in the Company re-completing Laplaya Deep and drilling Dunn Peach #6 in December 2005 and January 2006. Production from Laplaya Deep is currently 4.3mmcf/d and Dunn Peach #6 is 1.8mmcf/d.

The Company set up an operations office in Houston, Texas in July 2005 and appointed former Unocal VP Mike Bell as its Chief Operating Officer based in Houston in November 2005 to drive the current drilling programme. The Company's first well as operator in the USA programme was spudded in August 2006 and is currently being drilled. Presently the Company has interests in 4 producing wells.

Performance Indicators

The Board and management team establish and approve the direction of the Company by discussing and preparing strategic plans and annual budgets. The key performance indicators identified from the plans and budgets are used to monitor performance. Management monitor the key performance indicators on a regular basis and the Board receive the key performance indicators for review prior to each board meeting allowing directors to actively monitor performance.

Dynamics of the Business

In the USA gas prices have remained high over the year due to weather disruptions, increases in the global oil price and an increase in gas demand over supply. Gas prices are now trading between USD 6.50-8.00 per mcf. Sustained high oil and gas prices have continued the trend of increasing operational activity levels in the petroleum industry. This has seen competition for quality prospects increase and the number of quality prospects decrease. This has reinforced the Company's strategy of maintaining a strong geophysical and geological capacity in Houston, to ensure that it can evaluate new prospects in a competent and timely manner. This is seen as a significant competitive advantage.

Furthermore, the high levels of activity in the industry result in strong demand for resources and services, including staff, seismic crews and drilling equipment. Delays in rig availability meant that the Company was not able to drill as many wells as it would have liked during the year. In addition to availability, the increased demand for services has also resulted in significant increases in drilling and development costs.

Production	2006	2005	2004
Gas (MMCF)	377	73	79
Oil (BOE)	3,424	498	405
Sales Revenue (AUD)	4,365,126	584,210	516,327

The operating results for the year reflect the significant changes that occurred during the year, in particular the re-completion and significant production of the Laplaya Deep well, the successful drilling and production from Dunn Peach #6 along with the acquisition of Mitsui's (Moex) and Medco's (Novus') interests in production at LaPlaya Shallow, LaPlaya Deep and Westbird. This resulted in a large increase in production and sales revenue.

Exploration and development expenditure in the USA totalled \$5.3 million. Significant items included in this figure were the acquisition of Novus Petroleum and Moex interests in the Padre Island Project, drilling and successful completion of Dunn Peach #6, successful re-completion of LaPlaya Deep. Workover operations were also carried out on wells during the year. The costs of services, including drilling and related operations increased significantly during the year.

Shareholder Returns

The following table shows the last three years financial performance against shareholder returns as measured by the closing share price at 30 June each year.

	2006	2005	2004
Gas Sales Revenue	4,365,126	584,210	516,327
Gross operating profit before depletion	3,452,607	459,577	449,059
Basic EPS (cents)	(0.55)	(3.4)	(1.0)
Closing 30 June share price (cents)	44	15	33

The price volatility is a concern to the Board but is not considered abnormal for a junior oil & gas explorer such as Golden Gate Petroleum Ltd. In order to keep all investors fully-informed and minimise market fluctuations the Board is determined to maintain promotional activity amongst the investment community so as to increase awareness of the Company.

Strategy and Investments for Future Performance

The Company is an onshore USA petroleum exploration & production company. Its geographical focus within the USA is currently Padre Island, Texas. Management has assembled a strong technical team based in Houston, Texas and the corporate head office remains in Perth, Western Australia.

The Company has a clear strategy to achieve profitability and reserves growth through petroleum exploration, targeting medium to deep high impact conventional gas plays in south Texas. The Company already has a high-impact, prospect-rich portfolio. The forward programme will involve both operated and non-operated ventures.

The Company seeks to maintain a balanced exploration portfolio at all times and hence will modify its working interest in projects in order to suit the predetermined criteria set by the Board. As at the date of this report the Company anticipates undertaking the drilling program over the next 12 months as detailed below in Table 1.

Table 1: Golden Gate Planned Drilling Programme

Prospect/Well	Target/Type	P50 BCF	P10 BCF	Estimated Start Date	Golden Gate	BNP	IB Daiwa	Pantheon Resources
Plum Deep*	Deep/exploration	293	952	August 06 – currently drilling	37.5%	-	37.5%	25%
Wilson*	Shallow/exploration	5	21	November 06	37.5%	-	37.5%	25%
Manzano*	Deep/exploration	337	816	December 06	37.5%	-	37.5%	25%
2 x La Playa	Shallow/development	6	12	Second half 06	35.0%	65%	-	-
Murdoch South*	Deep/exploration	232	463	First Qtr 07	37.5%	-	37.5%	25%
Lemonseed*	Deep/exploration	67	239	Second Qtr 07	37.5%	-	37.5%	25%
Kingsway*	Deep/exploration	16	41	Second half 07	37.5%	-	37.5%	25%

* Operated by Golden Gate

Working Interests

The interests in Padre Island are as follows:

	Golden Gate	Lodore	BNP et al	Pantheon
<u>Producing Fields</u>				
LaPlaya Shallow	35%	-	65%	-
Dunn Deep (new field producing from LaPlaya Deep #1)	35%	-	65%	-
LaPlaya Deep (zone shut in as used to produce Dunn Deep)	100%	-	-	-
West Bird	70%	-	30%	-
Plum Shallow (producing from Dunn Peach#6)	10%	-	90%	-
<u>Shallow Prospects</u>				
El Mar (all depths)	35%	-	65%	-
Manzano Shallow (to 10,500 ft)	35%	-	65%	-

Plum Shallow 30% of the Structure (to 9500ft)	10%	-	90%	-
Plum Shallow 70% of the Structure (to 9500 ft)	35%	-	65%	-
Papaya (to 9500 ft)	50%	-	50%	-
Lemon (to 9100 ft)	30%	-	70%	-
Wilson to 15000 ft)	37.5%	37.5%	-	25%
Kingsway (all depths)	37.5%	37.5%	-	25%
<u>Deep Prospects</u>				
Plum Deep (9501 ft to 15000 ft)	37.5%	37.5%	-	25%
Manzano (10501 ft to 15000 ft)	37.5%	37.5%	-	25%
Murdock (all depths)	37.5%	37.5%	-	25%
Lemonseed (9101 ft and deeper)	37.5%	37.5%	-	25%
Ultra Deep (Deeper than 16,000 feet)	35%	35%	30%	-

7. Earnings Per Share

The basic loss per share for the Company for the year was 0.55 (2005: 3.44) cents per share.

8. Employees

At the end of the year, the Company had two full time employees (2005: 1).

9. Share Options

Shares issued as a result of the exercise of options

On 31 May 2006 960,000 ordinary fully paid shares were issued following the exercise of 960,000 unlisted options at 20 cents. Since 30 June 2006 11,000,000 options exercisable at 30 cents were exercised raising \$3,300,000.

Unissued Shares

As at the date of the report, there were 36,991,369 unissued ordinary shares under option.

Number of Options		Exercise Price	Expiry Date
28,466,369	Listed (GGPO)	\$0.65	31-Dec-06
800,000	Unlisted	\$0.44	18-Feb-07
25,000	Unlisted	\$0.32	2-Mar-07
200,000	Unlisted	\$0.33	19-Aug-08
1,000,000	Unlisted	\$0.33	1-Dec-08
3,500,000	Unlisted	\$0.22	1-Dec-08
3,000,000	Unlisted	\$0.22	21-Nov-09
<u>36,991,369</u>			

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

10. Remuneration Report

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Company. Except where indicated, the information in this section of the directors report has been audited.

(a) Remuneration policy

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's financial results. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity. The board's policy for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is as follows: The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was

developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience). The board reviews executive packages annually by reference to the consolidated entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. Executives are also entitled to participate in the employee share and option arrangements. The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% in Australia (to the extent they are classified as employees), and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The remuneration of consolidated entities non-executive directors comprises cash fees, superannuation contributions and equity or option of the Company given the consolidated entity's size, focussed nature of business and shareholding structure.

Any securities issued to directors are approved by shareholders to enhance overall shareholder wealth creation. As required by the Corporations Act and the Company's Constitution, shareholders last approved the maximum aggregate remuneration for Non-Executive Directors at \$100,000 per year.

Performance based remuneration

Other than the granting of share options, the Company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration (this information has not been audited)

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to executive directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of, sizeable revenue streams performance based bonuses based on key performance indicators are expected to be introduced. For details of directors and executives interests in options at year end, refer below.

(b) Service Agreements

Remuneration and other terms of employment for the following key management personnel are formalised in service agreements, the terms of which are set out below:

Frank Petruzzelli, Chairman:

- Term of agreement –subject to re-election as required by the Company's constitution.
- A fee for the period ending 30 June 2006 of \$35,000, to be reviewed annually by the Board.
- The agreement may be terminated by either party giving 1 months notice in writing.

Sam Russotti, Managing Director:

- Term of agreement – No fixed term.
- Annual salary of \$164,192 (inclusive of superannuation) is paid.
- The agreement may be terminated by either party giving 2 months notice in writing.

Mark Freeman, Company Secretary and Finance Director:

- Term of agreement – commencing 7 October 2005 and subject to re-election as required by the Company's constitution.
- Annual consulting fees of \$90,000 were paid for the 12 months ending 30 June 2006.
- The arrangement may be terminated by either party giving 2 months notice in writing.

Michael Bell, Executive:

- Term of agreement – 12 months contract commencing on 1 November 2005, with 3 months notice of termination required by the employee.
- Annual salary of US\$211,290 (inclusive of superannuation).

- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 months wages.

Craig Burton, Non-Executive Director (resigned 7 October 2005):

- Term of agreement – commencing 1 July 2005 and terminating on date of resignation 7 October 2005.
- A fee for the period ending 7 October 2005 of \$8,750 was paid.

Retirement benefits

Other retirement benefits may be provided directly by the Company if approved by shareholders.

Directors and Officers Emoluments

The following table sets out remuneration paid to directors and senior executives of the Consolidated Entity during the reporting period.

	Salary & Fees	Short-Term Non Monetary Benefits ⁽ⁱⁱ⁾	Other	Post Employe nt Super- annuation	Share- based payments Options ⁽ⁱⁱⁱ⁾	Total	Options as % of Total
	\$	\$	\$	\$	\$	\$	
Directors							
Mr F Petruzzelli							
2006	34,685	-	-	315	29,100	64,100	45.40%
2005	34,685	-	-	315	36,780	71,780	51.24%
Mr C Burton (resigned 7 October 2005)							
2006	8,750	-	107,220 ⁽ⁱ⁾	-	-	115,970	-
2005	35,000	-	-	-	-	35,000	-
Mr S Russotti, MD							
2006	140,000	11,592	-	12,600	174,600	338,792	51.54%
2005	140,000	11,592	-	12,600	49,049	213,241	23.00%
Mr M Freeman (appointed 7 October 2005)							
2006	90,000	-	-	-	-	90,000	-
2005	48,000	-	-	-	17,800	65,800	27.05%
Executives							
Mr M Bell (appointed 1 November 2005)							
2006	186,819	-	-	-	44,667	231,486	19.30%
Total 2006	460,254	11,592	107,220	12,915	248,367	840,348	
Total 2005	257,685	11,592	-	12,915	103,629	385,821	

- (i) Funding of the Acquisition of Medco interests in Padre Island
The Company arranged an unsecured US\$1 million debt facility from Sampala Investments Pty Ltd (“Sampala”), a company in which Mr Craig Burton is a director, to fund the acquisition of Medco’s (Novus’) interest in Padre Island. An establishment fee of \$52,867 and interest of \$54,354 was paid during the period.
- (ii) Non-monetary benefits relate to the provision of a motor vehicle.
- (iii) Options issued were not subject to performance conditions. The options were issued at a premium to the share price at the time awarded, and provide an incentive for the directors and executives to strive for growth in the Company’s assets. As such they are considered to be performance related,

The remuneration payments to Mr Burton were made to a director related entity, Verona Capital Pty td. The remuneration payments to Mr Petruzzelli were made to a director related entity, MDB & Co. The remuneration payments to Mr Freeman were made to a related entity, Meccano Pty Ltd.

Valuation of Director and Executives Options **

Options granted as part of remuneration

	Grant Date	Grant Number	Exercise price \$	Vested Number	Value per option at grant date	Value of options vested during the year	Value of options exercised during year**	Total value of options granted, exercised and lapsed during year**	% remuneration consisting of options for the year
Mr F Petruzzelli	19/12/2005	500,000	0.22	500,000	5.82 cents	29,100	105,120	29,100	45.4%
Mr S Russotti	19/12/2005	3,000,000	0.22	3,000,000	5.82 cents	174,600	-	174,600	51.5%
Mr M Bell	21/11/2005	3,000,000	0.22	666,667	6.7 cents	44,667	-	44,667	19.3%

No options held by directors or executives lapsed during the year.

* During the year Mr F Petruzzelli exercised 480,000 options which had previously been issued as compensation. The amount paid per share was 20 cents. No amounts were unpaid. During the year Mr S Russotti sold 480,000 options which had previously been issued as compensation.

** This information has not been audited.

For details on the valuation of the options, including models and assumptions used, please see next page. There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

Valuation of Directors Frank Petruzzelli & Sam Russotti Options

The options have been valued using the Binomial option valuation methodology by the Company's advisers and based upon the following assumptions:

- (i) the options expire 1 December 2008 and are all exercisable at 22 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, was 20 cents;
- (iii) a common volatility factor of 60%;
- (iv) an interest rate of 5.31%;
- (v) A discount of 30% for the options not being listed
- (vi) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation;
- (vii) the valuation date for the options was 19 October 2005; and
- (viii) grant date of 30 November 2005

Based on the assumptions the estimated value of options granted to the Directors is 5.82 cents per option.

Valuation of Michael Bells Options

The options have been valued using the Binomial option valuation methodology by the Company's advisers and based upon the following assumptions:

- (i) the options expire 21 November 2009 and are exercisable at 22 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, was 20 cents;
- (iii) a common volatility factor of 60%;
- (iv) an interest rate of 5.31%;
- (v) A discount of 30% for the options not being listed;
- (vi) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation; and
- (vii) the valuation date and grant date for the options was 21 November 2005.

Based on the assumptions it is considered that the estimated value of options granted is 6.67 cents per option.

11. Significant Changes in the State Of Affairs

Significant changes in the state of affairs of the Company and consolidated entity during the financial period were as follows:

- (a) On 1 August 2005 Long Flat Ltd (a wholly owned subsidiary of Golden Gate Petroleum Ltd) completed the purchase of all of the Padre Island interests owned by Medco Energi International (previously held by Novus Petroleum) for a consideration of US\$1,000,000. The acquisition was completed via the purchase of Kindee Oil & Gas Texas, LLC and Kindee Nevada Petroleum, LLC.
- (b) On 1 August 2005 the Company announced the sale of half of its exploration interests in the Padre Island Project to Lodore Resources Inc ("Lodore") for a consideration of US\$420,000. Lodore is a subsidiary of Japanese listed IB Dawa.
- (c) On 19 November the Company issued 3,000,000 options exercisable at 22 cents on or before 21 November 2009 to Michael Bell. The Options vest at a rate of 500,000 per 6 months of service to the Company.
- (d) On 29 November 2005, Golden Gate completed its strategy to gain full control of the Padre Island Project by acquiring Mitsui's USA subsidiaries (Cathie Energy Texas, LLC and Cathie Energy Delaware, LLC) who held a 20% interest in the Padre Island leases. The consideration for the acquisition was US\$125,000.

- (e) On 21 December 2005 the Company announced a farm out agreement had been reached with Pantheon Resources Plc. Pantheon Resources 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).
- (f) Following shareholder approval on 1 December 2005 3,500,000 Options exercisable at 22 cents on or before 1 December 2008 were issued to Mr Russotti (3,000,000) and Mr Petruzzelli (500,000) as performance incentives.
- (g) On 30 January 2006, the Company undertook a placement raising \$4,100,000 (excluding costs of the issue) issuing 11,716,999 shares at 35 cents each to raise \$4.1 million from overseas based institutional investors.
- (h) On 31 May 2006 the Company issued 960,000 shares at 20 cents, raising \$192,000 following conversion of 960,000 options.

12. Significant Events after Balance Date

Significant events after balance sheet date of the Company and consolidated entity during the financial period were as follows

- (a) Commenced drilling of Kindee ST212 well testing the Plum Deep structure on August 1 2006.
- (b) During July/August 2006 11,000,000 shares were issued following the exercise of 30 cent unlisted options raising \$3,300,000.

13. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 16 and forms part of the directors' report for financial year ended 30 June 2006.

14. Non-audit services

During the year Ernst & Young, the Company's auditor, did not supply any non-audit services to Golden Gate Petroleum Ltd or any of its subsidiaries

15. Tax Consolidation

For the purposes of income tax, Golden Gate Petroleum Ltd and its 100% owned subsidiaries do not intend to form a tax consolidated group.

16. Likely Developments and Expected Results

The Company and consolidated entity will continue with the development of its interest in the Padre Island Joint Venture and of its wholly owned Bethany leases.

Further information about likely developments in the operations of the Company and consolidated entity and the expected results of those operations in the future financial years has not been included in this report because disclosure would be likely to result in unreasonable prejudice to the Company and consolidated entity.

17. Environmental Regulations & Performance

The Consolidated Entity is a party to various exploration and development licences or permits in the country in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdictions. The Consolidated Entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no significant known breaches of the environmental obligations of the Consolidated Entity's licences.

18. Risk Management

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Consolidated entity's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board maintains a risk register ranking all the identified risks of the business and how the significant risks are being managed.

19. Indemnification and Insurance of Officers

An indemnity agreement has been entered into with each of the directors and Company Secretary of the Company named earlier in this report. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities. There is no monetary limit to the extent of this indemnity.

The Company has paid insurance premiums in respect of Director's and Officer's liability and legal expenses' insurance contracts, for current Directors and Officers of the Company. The insurance premiums relate to:

- costs and expenses incurred in by the relevant officers in defending legal proceedings, whether civil or criminal and whatever the outcome their outcome.
- Other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.



Mark Freeman
Finance Director
Perth, 29 September 2006

GOLDEN GATE PETROLEUM LTD | DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Golden Gate Petroleum Ltd, I state that:

In the opinion of the Directors:

- a) The financial statements and the notes and the additional disclosures included in the directors report designated as audited of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the Company's and consolidated entities financial position as at 30 June 2006 and of their performance for the period ended on that date; and
 - ii. Complying with Accounting Standards and Corporations Regulations 2001; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2006.

Signed on behalf of the board.

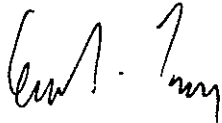
A handwritten signature in black ink, appearing to read 'Mark Freeman', with a large, sweeping flourish underneath.

Mark Freeman
Director

Perth, 29 September 2006

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

In relation to our audit of the financial report of Golden Gate Petroleum Limited for the financial year ended 30 June 2006, 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



VW Tidy

Partner

29 September 2006

GOLDEN GATE PETROLEUM LTD | INCOME STATEMENT

YEAR ENDED 30 JUNE 2006

	Notes	Consolidated		Parent	
		2006 \$	2005 \$	2006 \$	2005 \$
Revenue from continuing operations					
Revenue from gas sales	2(a)	4,365,126	584,210	-	-
Operating Costs		(912,519)	(124,633)	-	-
Gross operating profit before depletion and amortisation		3,452,607	459,577	-	-
Amortisation of production assets		(3,452,607)	(459,577)	-	-
Depreciation expense		(12,728)	(11,666)	(8,031)	(10,561)
Gross operating loss		(12,728)	(11,666)	(8,031)	(10,561)
Other income	2(a)	13,752	22,581	11,744	22,161
Net gain on sale of marketable securities		-	42,561	-	42,561
Impairment of exploration expenditure and evaluation expenditure		(225,058)	(4,105,890)	-	-
Impairment of investments in subsidiary		-	-	-	(4,045,098)
Foreign currency translation		-	-	715,870	(525,686)
Administration costs	2(b)	(456,589)	(620,166)	(511,775)	(506,081)
Finance costs		(112,292)	-	(54,998)	-
Profit / (Loss) from continuing operations		(792,915)	(4,672,580)	152,810	(5,022,704)
Income tax expense	3	-	-	-	-
Profit / (Loss) after income tax	15	(792,915)	(4,672,580)	152,810	(5,022,704)
Basic loss per share (cents per share)	14	(0.55)	(3.44)		
Diluted loss per share (cents per share)	14	(0.55)	(3.44)		

GOLDEN GATE PETROLEUM LTD | BALANCE SHEET

AS AT 30 JUNE 2006

	Notes	Consolidated		Parent	
		2006 \$	2005 \$	2006 \$	2005 \$
Current assets					
Cash & cash equivalents		3,459,865	1,110,656	229,317	671,959
Trade & other receivables	5	1,509,239	145,597	12,857	10,483
Prepayments	6	38,862	51,346	36,082	41,450
Total current assets		5,007,966	1,307,599	278,256	723,892
Non-current assets					
Available-for-sale financial assets	7	-	1,844	-	1,844
Investments in controlled entities	8	-	-	13,549,030	13,549,030
Trade and other receivables	5	228,808	85,072	9,996,366	5,033,504
Plant and equipment	9	47,133	39,763	27,327	35,358
Exploration, evaluation and production properties	10	19,453,556	18,059,202	-	-
Total non-current assets		19,726,497	18,185,881	23,572,723	18,619,736
Total assets		24,737,463	19,493,480	23,850,979	19,343,628
Current liabilities					
Trade and other payables	11	722,583	178,555	67,040	52,469
Provisions	12	29,140	16,154	24,768	16,154
Total current liabilities		751,723	194,709	91,808	68,623
Non current liabilities					
Provisions	12	226,569	23,766	-	-
Total non current liabilities		226,569	23,766	-	-
Total liabilities		978,292	218,475	91,808	68,623
Net assets		23,759,171	19,275,005	23,759,171	19,275,005
Equity					
Contributed equity	13	33,152,147	29,069,158	33,152,147	29,069,158
Option premium reserve	15b	480,000	480,000	480,000	480,000
Management option reserve	15c	351,996	103,629	351,996	103,629
Foreign currency translation Reserve	15d	732,463	(213,262)	-	-
Accumulated losses	15a	(10,957,435)	(10,164,520)	(10,224,972)	(10,377,782)
Total equity		23,759,171	19,275,005	23,759,171	19,275,005

GOLDEN GATE PETROLEUM LTD | CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2006

	Notes	Consolidated		Parent	
		2006	2005	2006	2005
		\$	\$	\$	\$
Cash flows from operating activities					
Interest received		13,752	20,582	11,734	20,161
Interest paid		(112,292)	(422)	(54,998)	(432)
Payment to suppliers and employees		(483,687)	(506,993)	(376,390)	(396,902)
Cash receipts in the course of operations		3,335,871	623,565	-	-
Production costs		(355,361)	(124,633)	-	-
Net cash from/(used in) operating activities	16(a)	2,398,283	12,099	(419,654)	(377,173)
Cash flows from investing activities					
Payments for exploration and evaluation expenditure		(4,243,974)	(2,677,230)	-	-
Joint venture contributions		-	245,937	-	-
Security deposits		(145,673)	(12,590)	-	-
Proceeds of sale of tenements		1,260,157	102,000	-	2,000
Proceeds of sale of equity investments		-	82,423	-	82,423
Acquisition of plant and equipment		(8,367)	(694)	-	(694)
Acquisition of subsidiary (net of cash and working capital acquired)		(1,804,488)	-	-	-
Recovery of acquired subsidiary debtors		264,664	-	-	-
Net cash from/(used in) investing activities		(4,677,681)	(2,260,154)	-	83,729
Cash flows from financing activities					
Proceeds from the issue of shares		4,292,950	2,002,000	4,292,950	2,002,000
Share issue costs		(215,001)	(14,107)	(215,001)	(14,107)
Advances to related parties		-	-	(4,284,211)	(2,149,784)
Net cash from/(used in) financing activities		4,077,949	1,987,893	(206,262)	(161,891)
Net increase/(decrease) in cash and cash equivalents		1,798,551	(260,162)	(625,916)	(455,335)
Cash and cash equivalents at the beginning of the financial year		1,110,656	1,451,807	671,959	1,230,326
Effect of exchange rate changes on cash and cash equivalents		550,658	(80,989)	183,274	(103,032)
Cash and cash equivalents at 30 June 2006	16(b)	3,459,865	1,110,656	229,317	671,959

GOLDEN GATE PETROLEUM LTD | STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2006

Consolidated Entity	Issued capital	Accumulated losses	Other reserves	Foreign currency	Total Equity
At 1 July 2004	27,081,265	(5,491,940)	480,000	62,115	22,131,440
Effect of translation of foreign operations to Consolidated entity presentation currency	-	-	-	(275,377)	(275,377)
Total income recognised for the period recognised directly in equity	-	-	-	(275,377)	(275,377)
Loss for the period	-	(4,672,580)	-	-	(4,672,580)
Total expense for the period	-	(4,672,580)	-	(275,377)	(4,947,957)
Issue of share capital (net)	1,987,893	-	-	-	1,987,893
Equity settled payments	-	-	103,629	-	103,629
Balance at 30 June 2005	29,069,158	(10,164,520)	583,629	(213,262)	19,275,005
At 1 July 2005	29,069,158	(10,164,520)	583,629	(213,262)	19,275,005
Effect of translation of foreign operations to Consolidated entity presentation currency	-	-	-	945,725	945,725
Total income recognised for the period recognised directly in equity	-	-	-	945,725	945,725
Loss for the period	-	(792,915)	-	-	(792,915)
Total income / (expense) for the period	-	(792,915)	-	945,725	152,810
Issue of Share Capital (net)	4,082,989	-	-	-	4,082,989
Equity settled payments	-	-	248,367	-	248,367
Balance at 30 June 2006	33,152,147	(10,957,435)	831,996	732,463	23,759,171

GOLDEN GATE PETROLEUM LTD | STATEMENT OF CHANGES IN EQUITY

Parent	Issued capital	Accumulated losses	Other reserves	Total Equity
At 1 July 2004	27,081,265	(5,355,078)	480,000	22,206,187
Loss for the period	-	(5,022,704)	-	(5,022,704)
Total expense for the period	-	(5,022,704)	-	(5,022,704)
Issue of share capital (net)	1,987,893	-	-	1,987,893
Equity settled payments	-	-	103,629	103,629
Balance at 30 June 2005	29,069,158	(10,377,782)	583,629	19,275,005
At 1 July 2005	29,069,158	(10,377,782)	583,629	19,275,005
Loss for the period	-	152,810	-	152,810
Total income / (expense) for the period	-	152,810	-	152,810
Issue of Share Capital (net)	4,082,989	-	-	4,082,989
Equity settled payments	-	-	248,367	248,367
Balance at 30 June 2006	33,152,147	(10,224,972)	831,996	23,759,171

1. Corporate information and summary of significant accounting policies

The financial report of Golden Gate Petroleum Ltd and its subsidiaries ("the Consolidated Entity") for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the Directors on 29 September 2006. Golden Gate Petroleum Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The address of the registered office and principal place of business is Ground Fl, 8 Colin Street, West Perth, Western Australia, 6005. The principal activity of Golden Gate Petroleum Ltd is the exploration and production of oil and gas, with current activities based in Texas states in the United States of America.

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards.

The financial report has been prepared on a historical cost basis.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with the International Financial Reporting Standards (IFRS).

This is the first full financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement. A summary of the significant accounting policies of the Consolidated Entity under AIFRS are disclosed below. Reconciliations of AIFRS equity as at 1 July 2004 and as at 30 June 2005 and a reconciliation of profit/(loss) after tax for the year ended 30 June 2005 as prepared under AGAAP to that under AIFRS are detailed in Note 27.

The Consolidated Entity elected to take the exemption under AASB 1 "First Time Adoption of AIFRS" to apply AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement" from 1 July 2005. Accordingly comparatives have not been restated.

The following accounting standards have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2006:

AASB Amendment	Affected Standard(s)	Application date of standard
2004-3	AASB 1 First-time adoption of AIFRS AASB 101 Presentation of Financial Statements AASB 124 Related Party Disclosures	1 January 2006
2005-1	AASB 139 Financial Instruments: Recognition and Measurement	1 January 2006
2005-5	AASB 1 First-time adoption of AIFRS and AASB 139 Financial Instruments: Recognition and Measurement	1 January 2006
2005-6	AASB 3 Business Combinations	1 January 2006
2006-1	AASB 121 The Effects of Change in Foreign Currency Rates	1 January 2006
New Standard	AASB 7 Financial Instruments: Disclosures	1 January 2007
2005-3	AASB 119 Employee Benefits	1 January 2006
New Standard	December 2004 version of AASB 119 Employee Benefits	1 January 2006

The following Urgent Issues Group Interpretations have recently been issued or amended but are not yet effective and have not been adopted for the annual reporting period ended 30 June 2006:

New or revised Standard/ UIG Affected Standard (s)	Application date of interpretation
UIG 4 Determining whether an Arrangement contains a Lease	1 January 2006
UIG 5 Rights to Interests in Decommissioning, Restoration and Environmental Rehabilitation	1 January 2006

GOLDEN GATE PETROLEUM LTD | NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

Funds

UIG 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 December 2005
UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies	1 March 2006
UIG 8 Scope of AASB 2	1 May 2006
UIG 9 Reassessment of Embedded Derivatives	1 June 2006

All the above accounting standards are applicable for annual reporting periods commencing on or after 1 January 2006. For the Consolidated Entity the above accounting standards will be applied from their application date. It is anticipated that there will be no change to accounting policy and hence no impact from the application of the above standards.

The following amendments are not applicable to the Consolidated Entity and therefore have no impact:

AASB Amendment	Affected Standard (s)	Application date of standard
2005-4	<i>First-time adoption of AIFRS, AASB 1023 General insurance Contracts and AASB1038 Life Insurance Contracts</i>	1 January 2006
2005-9	<i>AASB 4 Insurance Contracts, AASB 1023 General insurance Contracts</i>	1 January 2006
2005-10	<i>AASB 4 Insurance Contracts, AASB 1023 General insurance Contracts and AASB1038 Life Insurance Contracts</i>	1 January 2007

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Golden Gate Petroleum Ltd and its subsidiaries during the year ended 30 June 2006 ("the Consolidated Entity"). The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

(d) Plant and equipment

Oil and Gas Properties

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

Oil and gas properties and plant and equipment, other than freehold land, are depreciated to their residual values at rates based on the expected useful lives of the assets concerned. The remaining assets use the straight line approach. The major categories of assets are depreciated as follows:

Oil and gas properties are amortised over the useful lives of the asset

Motor Vehicles are depreciated based on diminishing value at 22.5%

Plant and equipment are depreciated based on diminishing value line at 25% to 40%.

Office equipment are depreciated based on diminishing value line at 25% to 40%.

Currently there are no buildings owned by the Consolidated Entity.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely

independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. For plant and equipment, impairment losses are recognised in the income statement.

(e) Mineral Exploration and Development Costs

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing. All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs, are expensed as incurred except where:

- The expenditure relates to an exploration discovery that, at balance date, has not been recognised as an area of interest, as assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or
- An area of interest is recognised, and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.
- The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest. Areas of interest may be recognised at either the field or the well level, depending on the nature of the project. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are capitalised.

Each potential or recognised area of interest is reviewed half yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties. The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

AASB 6 Exploration for and Evaluation of Mineral Resources has been applied effective 1 July 2004.

(f) Impairment of assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes a formal estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of recoverable amount, but only if there has been a change in the estimates used to determine the assets recoverable amount and only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash generating unit).

(g) Provision for Restoration

The Consolidated Entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas. Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer Note 1(d)).

Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

(h) Trade and other receivables

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the year ended 30 June 2006 and the year ended 30 June 2005.

Accounting policies applicable from 1 July 2005

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the full debt. Bad debts are written off when identified.

For the year ended 30 June 2005 the following accounting policy was in place:

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors to be settled within 30 days are carried at amounts due.

(i) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(j) Trade and other payables

The Consolidated Entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below is the relevant accounting policies for trade and other payables applicable for the year ended 30 June 2006 and also for the year ended 30 June 2005.

Accounting policies applicable from 1 July 2005

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

For the year ended 30 June 2005 the following accounting policy was in place

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

Payables to related parties are carried at the principal amount.

(k) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the consolidated entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any

reimbursement. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(l) Employee Entitlements

Wages, salaries, bonus payments, annual leave and sick leave

Liabilities for wages and salaries, bonus payments, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(m) Leases

Consolidated Entity as a lessee

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the lease expense.

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales Revenue

The Consolidated Entity has elected to apply the option available under ASSB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below is the relevant accounting policies for trade and other payables applicable for the year ended 30 June 2006.

Accounting policies applicable from 1 July 2005

Sales revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of "delivery of goods to the customer". Delivery of product is by pipeline and under well specific contracts that define the place of transfer in ownership, the nominated transfer point has appropriate meter equipment installed. Product pricing is dependant upon product quality and delivery volumes rates, and base price marked to an appropriate commodity market benchmark.

For the year ended 30 June 2005 the following accounting policy was in place

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Interest

The Consolidated Entity has elected to apply the option available under ASSB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below is the relevant accounting policies for trade and other payables applicable for the year ended 30 June 2006.

Accounting policies applicable from 1 July 2005

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

For the year ended 30 June 2005 the following accounting policy was in place

Control of the right to receive interest payments

(o) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences; except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised; except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, in which case the deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to terms recognised directly in equity are recognised in equity and not in profit or loss.

(p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) Borrowing Costs

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (greater than 12 months). The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Consolidated Entity's outstanding borrowings during the year.

(r) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

(s) Earnings per share ("EPS")

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends) and preference shares, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as the net profit attributed to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference shares;
- the after-tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Inventories

Inventories are valued at the lower of cost and net realisable value. Spares and consumables are valued at purchase cost on a first-in first-out basis. Surplus and obsolete items are identified and disposed of, or written down to realisable value pending disposal.

(u) Foreign currency translation

Both the functional and presentation currency of Golden Gate Petroleum Ltd and its Australian subsidiaries is Australian dollars (\$). Entities within the Consolidated Entity that are based and operate outside of Australia use the functional currency of their domicile, provided the local economy is not subject to hyperinflation. Each entity in the Consolidated Entity uses its specific functional currency to measure the items included in the financial statements of that entity.

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange ruling at the date of the transaction or the average for the period when translating a large number of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rate as at the date when fair value was determined.

The functional currency of all the overseas subsidiaries is United States dollars (US\$). As at the reporting date the assets and liabilities of this subsidiary were translated into the presentation currency of Golden Gate Petroleum Ltd at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(v) Share-based payment transactions

The Consolidated Entity provides benefits to directors and employees of the Consolidated Entity in the form of equity, whereby directors and employees render services in exchange for options to acquire shares or rights over shares.

The fair value of options granted to key management employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an appropriate model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) for non-market based hurdles the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for changes in the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. The dilutive effect if any, of outstanding securities is reflected as additional share dilution in the computation of earnings per share.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 14).

(w) Investments in controlled entities

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent to the initial measurement, investments in controlled entities are carried at cost less accumulated impairment losses.

(x) Critical accounting estimates, assumptions and judgements

Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Consolidated Entity continually employs judgement in the application of its accounting policies.

(i) Critical Accounting Estimates and Assumptions

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of assets

The Consolidated Entity's accounting policy for impairment is set out at Note 1(f). In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For oil and gas properties, expected future cash flow estimation is based on internal estimates of potential reserves, future production profiles, commodity prices and costs. The internal estimates of recoverable quantities of proven and probable reserves used in the future cashflow estimations include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

Share-based payment transactions

The Consolidated entity measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Equity settled transactions include options and performance rights. The fair value of an option is determined by using an appropriate option-pricing model using the assumptions detailed in the directors report.

Critical Judgements in Applying the Consolidated Entity's Accounting Policies
Exploration and evaluation

The Consolidated Entity's accounting policy for exploration and evaluation is set out at Note 2(e). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been or will be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, it is determined that the Consolidated Entity is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

(y) Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(z) Joint Controlled Operations

The Consolidated entity has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Consolidated entity recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Consolidated entity also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(aa) *Segment reporting*

Business segments

The consolidated entity operates predominately in the field of oil and gas exploration and development.

Geographical segments

The consolidated entity operates in one principal geographical area, USA.

GOLDEN GATE PETROLEUM LTD | NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

2. REVENUE, EXPENSES AND LOSSES/GAINS	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
(a). Revenue				
Sales revenue	4,365,126	584,210	-	-
Other Income				
Interest	13,752	20,581	11,744	20,161
Net gain on sale of non current assets	-	2,000	-	2,000
	<u>13,752</u>	<u>22,581</u>	<u>11,744</u>	<u>22,161</u>
(b) Administration Costs				
Employee/Consulting Fees	143,362	197,357	149,376	185,357
Share based payments	108,687	-	108,687	-
Leave provisions	18,372	8,532	14,000	8,532
Employee benefit expense	<u>270,421</u>	<u>205,889</u>	<u>272,063</u>	<u>193,889</u>
Compliance Costs	76,840	91,083	76,840	91,083
Insurance	49,406	44,141	49,406	44,141
Foreign exchange (gain)/loss	(71,603)	83,630	(14,264)	173,410
Other	131,525	195,423	127,730	3,558
	<u>456,589</u>	<u>620,166</u>	<u>511,775</u>	<u>506,081</u>

3. INCOME TAX

	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
The major components of income tax expenses are:			-	-
(a) Income Statement				
Current income tax				
<i>Current income tax charge</i>	(370,460)	(1,200,874)	(133,692)	(151,064)
<i>Adjustments in respect of current income tax of previous years</i>				
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	205,675	(620,309)	(2,428)	(4,569)
DTA not brought to account	164,785	1,821,183	136,120	155,633
Income tax expense (income) reported in the income statement	-	-	-	-
The aggregate amount of income tax attributed to the financial period differs from the amount calculated on the operating loss. The differences are recorded as follows:				
Accounting Profit / (Loss)	(792,915)	(4,672,580)	152,810	(5,022,704)
Prima facie tax payable	(277,520)	(1,635,403)	45,843	(1,506,811)
Add tax effect of:				
Capital raising cost deductions	(53,615)	(41,017)	(53,615)	(41,017)

GOLDEN GATE PETROLEUM LTD | NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

Non-deductible items	85,544	-	85,544	1,287,159
Other	80,806	(144,763)	(213,982)	105,036
DTA not brought to account	164,785	1,821,183	136,210	155,633
Income tax expense on loss	-	-	-	-
(b) Deferred income tax				
Deferred income tax at 30 June relates to the following:				
<i>Deferred tax liabilities movement</i>				
Exploration expenses:	280,397	-	-	-
	280,937	-	-	-
<i>Deferred tax assets movement</i>				
Exploration expenses	-	614,686	-	-
Provisions	74,721	5,622	2,428	4,569
Losses - Aust	133,692	151,440	133,692	151,064
Losses - US	237,309	1,049,435	-	-
Non-recognition of deferred taxes	(164,785)	(1,821,183)	(136,120)	(155,633)
	-	-	-	-

(c) Tax Losses

At 30 June 2006, Golden Gate Petroleum Ltd consolidated group has \$8,144,947 (including US tax losses) (2005: \$7,022,827) of tax losses that are available indefinitely for offset against future taxable profits of the company. No deferred tax assets have been recognised on the Balance Sheet in respect of the amount of these losses.

	Consolidated		Parent	
	2006	2005	2006	2005
Unrecognised deferred tax balances	\$	\$	\$	\$
Temporary difference	-	-	13,874	11,446
Tax losses - Australian	-	-	402,236	258,170
Tax losses – US	-	-	-	-
	-	-	416,110	269,616

The potential deferred tax asset will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company and/or the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- conditions for the deductibility imposed by the laws are complied with; and
- no changes in tax legislation adversely affect the realization of the benefit from the deductions

4. CHANGE IN COMPOSITION OF ENTITY

(a) Acquisitions of Medco interest in Padre Island

On 1 August 2005, Long Flat Ltd (100% subsidiary of Golden Gate Petroleum Ltd) acquired 100% of the voting shares of Kindee Oil & Gas Texas, LLC and Kindee Nevada Petroleum, LLC (Kindee Group) unlisted companies based in USA holding various percentage interest in the Padre Island Project. The date control passed on the acquisition was effective 1 July 2005.

In connection with the acquisition, Golden Gate Petroleum Ltd paid US\$1,000,000 and \$US96,235 for net working capital at the date of acquisition.

From the date of acquisition, Kindee Group has contributed US\$576,000 to revenue and has not contributed to the net profit of the group. The fair value of identifiable assets and liabilities of the Kindee Group as at the date of acquisition are:

	Recognised on acquisition \$	Carrying value \$
Trade and other receivables	231,389	231,389
Plant and equipment	5,551	5,551
Deferred exploration and evaluation expenditure	1,419,664	1,419,664
	1,656,604	1,656,604
Trade and other payables	(22,005)	(22,005)
Fair value of net assets	1,634,599	1,634,599
Consideration:		
Cash paid	1,587,455	
Costs associated with the acquisition	47,144	
Total consideration	1,634,599	

(b) Acquisitions of Moex' interest in Padre Island

On 30 November 2005, Long Flat Ltd (100% subsidiary of Golden Gate Petroleum Ltd) acquired 100% of the voting shares of Cathie Delaware, LLC and Cathie Energy Texas, LLC (Cathie Group). These companies hold various interests in the Padre Island Project. The effective date control passed was 1 September 2005.

In connection with the acquisition, Long Flat Ltd paid US\$125,000 of which US\$6,639 was paid at the date of acquisition with balance of US\$118,360 payable on 17 March 2006. From the date of acquisition, Cathie Group has contributed US\$206,000 to revenue and has not contributed to the net profit of the group. The fair value of identifiable assets and liabilities of the Cathie Group as at the date of acquisition are:

	Recognised on acquisition \$	Carrying value \$
Trade and other receivables	25,394	25,394
Deferred exploration and evaluation expenditure	198,172	198,172
	223,566	223,566
Trade and other payables	(25,394)	(25,394)
Fair value of net assets	198,172	198,172
Consideration:		
Costs associated with the acquisition	189,370	
Cash paid	8,802	
Total consideration	198,172	

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
5. TRADE & OTHER RECEIVABLES				
Current				
Trade debtors ¹	1,496,381	135,114	-	-
Other receivables ³	12,858	10,483	12,857	10,483
	<u>1,509,239</u>	<u>145,597</u>	<u>12,857</u>	<u>10,483</u>
Non-Current				
Security Deposits ⁴	228,808	80,253	-	-
Other receivables	-	4,819	-	4,819
Loans to controlled entities ²	-	-	9,996,366	5,028,685
	<u>228,808</u>	<u>85,072</u>	<u>9,996,366</u>	<u>5,033,504</u>

Terms and conditions relating to the above financial instruments.

1. Trade debtors are non-interest bearing and generally on 60 day terms.
2. Related party receivables are non-interest bearing and have no fixed repayment terms.
3. Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
4. Security Deposits are interest bearing and provide security towards performance bonds provided by the consolidated entity bank to state governmental agencies against environmental obligations.

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
6. PREPAYMENTS				
Prepayments	<u>38,862</u>	<u>51,346</u>	<u>36,082</u>	<u>41,450</u>
7. OTHER FINANCIAL ASSETS				
Listed securities	<u>-</u>	<u>1,844</u>	<u>-</u>	<u>1,844</u>

Listed securities are readily saleable with no fixed terms. Market value of listed securities as at 30 June 2006 was \$nil (2005: \$1,844).

	Parent	
	2006	2005
	\$	\$
8. INVESTMENTS		
Investments in controlled entities	<u>13,549,030</u>	<u>13,549,030</u>

GOLDEN GATE PETROLEUM LTD | NOTES TO THE FINANCIAL STATEMENTS
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	Country of Incorporation	Percentage of Equity Interest held by the consolidated entity		Carrying value of investment	
		2006	2005	2006	2005
		%	%	\$	\$
Investments in subsidiaries					
Hardman Range Copper Pty Ltd*	Australia	-	100	-	-
Southdale Holdings Pty Ltd	Australia	100	100	-	-
Golden Gate Resources Ltd	Canada	100	100	13,549,030	13,549,030
GGP Exploration Ltd	USA	100	100	-	-
GGR Petroleum LLC	USA	100	100	-	-
Long Flat Ltd	USA	100	100	-	-
Cathie Delaware, LLC	USA	100	-	-	-
Cathie Energy Texas, LLC	USA	100	-	-	-
Kindee Oil & Gas Texas, LLC	USA	100	-	-	-
Kindee Nevada Petroleum, LLC	USA	100	-	-	-
				13,549,030	13,549,030

*The Company de-registered Hardman Range Copper Pty Ltd on 1 March 2006.

9. PLANT & EQUIPMENT	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
Office equipment at cost	35,227	15,129	6,049	6,049
Accumulated depreciation	(13,234)	(7,283)	(3,862)	(2,608)
Total office equipment	21,993	7,846	2,187	3,441
Motor vehicles at cost	51,997	51,997	51,997	51,997
Accumulated depreciation	(26,857)	(20,080)	(26,857)	(20,080)
Total motor vehicles	25,140	31,917	25,140	31,917
<i>At cost</i>	87,224	67,126	58,046	58,046
<i>Accumulated depreciation</i>	(40,091)	(27,363)	(30,719)	(22,688)
Total written down amount	47,133	39,763	27,327	35,358

Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year:

Office Equipment at Cost

Balance at start of year	7,846	10,215	3,441	4,705
Additions	20,098	694	-	694
Depreciation	(5,951)	(3,063)	(1,254)	(1,958)
Balance at end of year	21,993	7,846	2,187	3,441

Motor vehicles at cost

Balance at start of year	31,917	40,520	31,917	40,520
Additions	-	-	-	-
Depreciation	(6,777)	(8,603)	(6,777)	(8,603)
Balance at end of year	25,140	31,917	25,140	31,917

10. EXPLORATION, EVALUATION AND PRODUCTION PROPERTIES	Consolidated		Parent	
	2006 \$	2005 \$	2006 \$	2005 \$
a) Expenditure carried forward in respect of hydrocarbon areas of interest				
Exploration and evaluation - at cost	18,203,418	15,103,948	-	-
Production – at cost	5,606,683	3,859,192	-	-
Accumulated amortisation	(4,356,545)	(903,938)	-	-
	<u>19,453,556</u>	<u>18,059,202</u>	-	-

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective hydrocarbon interests.

b) Reconciliation:

- Exploration & evaluation phases

Carrying amount at beginning	15,103,948	18,141,102	-	69,868
Movement in carrying value as a result of foreign currency variations	910,385	(193,620)		
Additions	3,605,264	2,387,233	-	-
Transfer to subsidiary	-	-	-	(69,868)
Transferred to production	-	(1,017,865)	-	-
Sale of interests	(1,388,244)	-	-	-
Allowance for impairment	(27,935)	(4,212,902)	-	-
Carrying Amount at end	<u>18,203,418</u>	<u>15,103,948</u>	-	-

- Production:

Carrying amount at beginning	2,955,254	2,134,009	-	-
Transferred from Exploration	-	1,017,864	-	-
Movement in carrying value as a result of foreign currency variations	31,380	-		
Additions	1,716,112	356,286	-	-
Production costs expensed	-	(98,026)	-	-
Amortisation	(3,452,607)	(454,879)	-	-
Carrying amount at end	<u>1,250,139</u>	<u>2,955,254</u>	-	-

TOTAL	<u>19,453,556</u>	<u>18,059,202</u>	-	-
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11. TRADE AND OTHER PAYABLES

Trade creditors ⁽¹⁾	603,151	99,943	31,822	11,910
Other creditors ⁽²⁾	119,432	78,612	35,218	40,559
	<u>722,583</u>	<u>178,555</u>	<u>67,040</u>	<u>52,469</u>

Aggregate amount payable to related parties:

Directors and director related entities:

- director related entity ⁽³⁾	<u>17,844</u>	-	<u>17,844</u>	-
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Terms and conditions

1. Trade creditors are non-interest bearing and generally on 60 day terms.
2. Other creditors are non-interest bearing and have no fixed repayment terms.
3. Amounts relate to directors fees owing at year end and are payable within 30 days.

GOLDEN GATE PETROLEUM LTD | NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
12. PROVISIONS				
Current				
Employee benefits	29,140	16,154	24,768	16,154

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
Non Current				
Restoration costs	226,569	23,766	-	-
(a) Restoration				
Carrying amount at beginning	23,776	20,746	-	-
Additional provision	202,793	3,020	-	-
Amounts utilised during the year		-	-	-
Carrying amount at end	226,569	23,766	-	-

A provision for restoration is recognised in relation to the exploration and production activities for costs associated with the restoration of the various sites. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the restoration provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration in the future.

13. CONTRIBUTED EQUITY

(a) Issued and paid up share capital

Ordinary shares fully paid	33,152,147	29,069,158	33,152,147	29,069,158
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Ordinary shares

Effective 1 July 1998, the Corporations Legislation in place abolished the concept of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares. Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	2006		2005	
	Number of Shares	\$	Number of Shares	\$
<i>(b) Movements in ordinary shares</i>				
Balance at the beginning of the year	138,426,951	29,069,158	131,749,885	27,081,265
Exercise of options	960,000	196,000	-	-
Equity issues during the year for cash	11,717,000	4,100,950	6,677,066	2,002,000
Less: transaction costs	-	(209,961)	-	(14,107)
End of financial year	151,103,951	33,152,147	138,426,951	29,069,158

GOLDEN GATE PETROLEUM LTD | NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

<i>(b) Movements in Options on issue</i>	Number	Exercise Price	Expiry Date
Listed Options			
Balance at the beginning and end of the year	28,466,369	0.65	21/12/2006
Unlisted Options			
Balance at the beginning of the year	13,985,000		
Issue of options to Directors and management	6,500,000	0.22	1/12/2008
Exercise of options	(960,000)	0.20	30/05/2006
Total Unlisted Options	<u>19,525,000</u>		

14. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the year ended 30 June 2006 was based on the loss attributable to ordinary shareholders of \$792,915 (Year ended 30 June 2005 \$4,672,580) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2006 of 143,387,354 (year ended 30 June 2005: 135,843,044), calculated as follows:

**Loss attributable to ordinary shareholders
for the year ended 30 June 2006**

	Consolidated 2006	Consolidated 2005
	\$	\$
Loss attributable to ordinary shareholders	(792,915)	(4,672,580)

Weighted average number of ordinary shares

For the year ended 30 June 2006

Issued ordinary shares at 1 July	138,426,951	131,749,855
Effect of shares issued during the period	4,960,403	4,093,189
Weighted average number of ordinary shares at 30 June	<u>143,387,354</u>	<u>135,843,044</u>
Loss per share (cents)	(0.55)	(3.44)

Potential ordinary shares are not considered dilutive and accordingly diluted earnings per share is the same as basic earnings per share.

	Consolidated		Parent	
	2006	2005	2006	2005
15. ACCUMULATED LOSSES AND RESERVES	\$	\$	\$	\$
(a) Accumulated losses				
Balance at beginning of year	(10,164,520)	(5,491,940)	(10,377,782)	(5,355,078)
Net losses attributable to members of Golden Gate Petroleum Ltd	(792,915)	(4,672,580)	152,810	(5,022,704)
Balance at end of year	<u>(10,957,435)</u>	<u>(10,164,520)</u>	<u>(10,224,972)</u>	<u>(10,377,782)</u>

15. ACCUMULATED LOSSES AND RESERVES (Con't)	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$

(b) Share option premium reserve

(i) Nature and purpose of reserve

The share option premium reserve is used to record the value options issued over ordinary shares.

(ii) Movements in reserve

Balance at the beginning of the year	480,000	480,000	480,000	480,000
Balance at end of the year	480,000	480,000	480,000	480,000

(c) management option premium reserve

(i) Nature and purpose of reserve

The management option premium reserve is used to record the value of incentive options.

(ii) Movements in reserve

Balance at the beginning of the year	103,629	-	103,629	-
Issue of Options to Executives	248,367	103,629	248,367	103,629
Balance at end of the year	351,996	103,629	351,996	103,629

(d) Foreign Currency Translation Reserve

(i) Nature and purpose of reserve

The foreign currency reserve is used to record the movement in functional currency.

(ii) Movements in reserve

Balance at the beginning of the year	(213,262)	62,115
Movement in reserve	945,725	(275,377)
Balance at end of the year	732,463	(213,262)

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
16. CASH FLOW STATEMENT				
<i>Reconciliation of the net loss after tax to the net cash flows from operations</i>				
Loss from ordinary activities after income tax	(792,915)	(4,627,580)	152,810	(5,022,704)
Add/(less) non-cash items:				
Foreign currency translation	-	-	(715,870)	525,686
Provision for impairment of non-current assets	-	-	-	4,045,098
Allowance for impairment in exploration expenditure	225,058	4,105,890	-	-
Amortisation of production assets	3,452,607	459,577	-	-
Employee share option expensed	108,687	-	108,687	-
Net (gain)/loss on securities	1,844	(42,561)	1,844	(42,561)
Net gain on sale of exploration assets	-	(2,000)	-	(2,000)
Net foreign currency loss	(71,603)	83,631	(14,264)	173,410
Depreciation	12,728	11,666	8,031	10,561
Net cash used in operating activities before change in assets and liabilities	2,936,406	(11,377)	(458,762)	(312,510)
Decrease/(increase) in receivables	(1,363,642)	15,450	3,043	(531)
Decrease/(Increase) in other current assets	12,484	1,100	-	(1,100)
Increase in provisions	215,791	11,542	16,153	8,532
(Decrease)/increase in accounts payable	597,244	(4,616)	19,912	(71,564)
Net cash flow from / (used in) operating activities	2,398,283	12,099	(419,654)	(377,173)
<i>(b) Reconciliation of cash and cash equivalents</i>				
Cash balance comprises:				
- cash at bank	3,459,865	1,110,656	229,317	671,959

	Consolidated	
	2006	2005
	\$	\$

17. INTERESTS IN JOINT VENTURE OPERATIONS AND BUSINESS UNDERTAKINGS

At 30 June 2006 the Consolidated Entity was a participant in the following joint ventures:

Producing Fields

LaPlaya Shallow	35%	10%
Dunn Deep (new field producing from LaPlaya Deep #1)	35%	-
LaPlaya Deep (zone shut in as used to produce Dunn Deep)	100%	-
West Bird	70%	10%

Shallow Prospects

El Mar (all depths)	35%	10%
Manzano Shallow (to 10,500 ft)	35%	10%
Plum Shallow 30% of the Structure (to 9500ft)	10%	10%
Plum Shallow 70% of the Structure (to 9500 ft)	35%	10%
Papaya (to 9500 ft)	50%	10%
Lemon (to 9100 ft)	30%	0%
Wilson to 15000 ft)	37.5%	10%
Kingsway (all depths)	37.5%	10%

Deep Prospects

Plum Deep (9501 ft to 15000 ft)	37.5%	10%
Manzano (10501 ft to 15000 ft)	37.5%	10%
Murdock (all depths)	37.5%	10%
Lemonseed (9101 ft and deeper)	37.5%	10%

Ultra Deep (Deeper than 16,000 feet)	35%	10%
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The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenues and profit. Capitalised petroleum exploration and production costs of \$19,386,707 (2005: \$17,975,496) represent principally the Consolidated entity's share of development and exploration joint ventures, the material interests of which are noted above.

18. COMMITMENTS

Leases as lessee

Non cancellable operating lease rental are payable as follows:

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
Less than one year	5,385,778	-	-	-
Between one and five years	3,718,296	-	-	-
More than five years	-	-	-	-
	9,104,074	-	-	-

The Consolidated entity has entered into a 12 month drilling contract with Parker Drilling with a 6 month renewal option and a minimum demobilisation fee of \$196,937. The agreement commenced 1 July 2006.

19. CONTINGENT LIABILITIES

There are no contingent liabilities for the company and controlled entities.

	Consolidated		Parent	
	2006	2005	2006	2005
	\$	\$	\$	\$
20. AUDITORS' REMUNERATION				
Amounts received or due and receivable by Ernst & Young for:				
- an audit or review of the financial report of the company	55,000	34,000	55,000	34,000

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

Short term	471,846	269,277	283,027	269,277
Post employment	12,915	12,915	12,915	12,915
Other long- term	107,220	-	107,220	-
Termination benefits	-	-	-	-
Share-based payment	248,367	103,629	248,367	103,629
	<u>840,348</u>	<u>385,821</u>	<u>651,529</u>	<u>385,821</u>

The company has applied the exemption under Corporations Amendments Regulation 2006 which exempts Listed Companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports by accounting standard AASB 124: Related Party Disclosure. The relevant remuneration disclosures can be found in sections (a) to (e) of the remuneration report in the director report disclosures.

(i) Directors

F Petruzzelli - Chairman (non-executive) (appointed 30 June 2003)
 S Russotti - Managing Director (appointed 30 June 2003)
 M Freeman - Finance Director / Company Secretary (appointed finance director 7 October 2005)
 C Burton - Director (non-executive) (appointed 15 September 2000 Resigned 7 October 2005)

(ii) Executive

M. Bell - Chief Operating Officer based in Houston

(c) Shares issued on exercise of remuneration options

960,000 shares were issued during the year as a result of exercise of remuneration options during the financial year.

(d) Option holdings of key management personnel

The movement during the reporting period in the number of options over ordinary shares in Golden Gate Petroleum Ltd held, directly, indirectly or beneficially, by each director and executive, including their personally-related entities.

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	Held at 1 July 2005	Granted	Exercised/ Sold	Held at 30 June 2006	Exercisable/ vested
Directors					
Mr F Petruzzelli	780,000	500,000	(480,000)	800,000	800,000
Mr C Burton*	76,923	-	(76,923)	-	-
Mr S Russotti	2,060,000	3,000,000	(480,000)	4,580,000	4,580,000
Mr M Freeman	200,000	-	-	200,000	200,000
Executive					
Mr M Bell	-	3,000,000	-	3,000,000	666,667
Total	3,116,923	6,500,000	1,036,923	8,580,000	6,246,667

* Mr C Burton resigned as director on 7 October 2005

Refer director's report for detailed explanation of valuation of options granted during the year.

(e) Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares of Golden Gate Petroleum Ltd held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

	Held at 1 July 2005	On Exercise of Options	Other changes	Held at 30 June 2006
Directors				
Mr F Petruzzelli	51,520	480,000	-	531,520
Mr C Burton*	2,055,070	-	(2,055,070)	-
Mr S Russotti	272,362	-	-	272,362
Mr M Freeman	31,731	-	-	31,731
Executives				
Mr M Bell	-	-	-	-
Total	2,410,683	480,000	(2,055,070)	835,613

*Mr C Burton resigned as director on 7 October 2005

(f) Other transactions and balances with key management personnel

No loans have been made during the financial period or at the date of this report to any specified Directors or specified Executives. A number of specified Directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Transaction	Note	2006 \$	2005 \$
Specified Directors & Executives			
Mr C Burton*	(i)	107,221	3,439
Mr M Freeman	(ii)	34,579	21,488

*Mr C Burton resigned as director on 7 October 2005

- (i) Funding of the Acquisition of Medco interests in Padre Island
The Company arranged an unsecured US\$1 million debt facility from Sampala Investments Pty Ltd ("Sampala"), a company in which Mr Craig Burton is a director, to fund the acquisition of Novus' interest in Padre Island. An establishment fee of \$52,867 and interest of \$54,354 was paid during the period.

(ii) The Company is provided the services of a bookkeeper and serviced office from Meccano Pty Ltd, a company of which Mark Freeman is a director.

22. SHARE BASED PAYMENTS

Details of Options granted and vested during the year ended 30 June 2006 and 30 June 2005

Employee Share Scheme - During the year the Company issued incentive options to directors and consultants as detailed in the table below.

Holders	Granted	Exercise \$	Expiry	Vested	Value per option at Grant Date (\$)	Total \$
Option issued during the year ended 30 June 2006						
Mr M. Bell**	3,000,000	0.22	19/11/2009	666,667	0.0670	44,667
Mr S Russotti*	3,000,000	0.22	01/12/2008	3,000,000	0.0582	174,600
Mr F Petruzzelli*	500,000	0.22	01/12/2008	500,000	0.0582	29,100
Options issued during the year ended 30 June 2005						
Mr M Freeman****	200,000	0.33	19/08/2008	200,000	0.089	17,800
Mr F Petruzzelli***	300,000	0.33	01/12/2008	300,000	0.123	36,780
Mr S Russotti***	400,000	0.33	01/12/2008	400,000	0.123	49,040
Mr D Boyd****	300,000	0.33	01/12/2008	300,000	0.123	36,780
Options issued prior to 30 June 2005						
Mr D Boyd	25,000	0.32	02/03/2007	25,000	0.052	1,300
Mr S Russotti	480,000	0.44	18/2/2007	480,000	0.038	18,240
Mr S Russotti	700,000	0.30	10/08/2006	700,000	0.052	36,330
Balance on 30 June 2006	8,905,000			6,571,667		

* Valuation of Directors Frank Petruzzelli & Sam Russotti Options

The options have been valued using the Binomial option valuation methodology by the Company's advisers and based upon the following assumptions:

- (i) the options expire 1 December 2008 and are all exercisable at 22 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, was 20 cents;
- (iii) a common volatility factor of 60%;
- (iv) an interest rate of 5.31%;
- (v) A discount of 30% for the options not being listed
- (vi) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation;
- (vii) the valuation date for the options was 19 October 2005; and
- (viii) grant date of 30 November 2005

Based on the assumptions the estimated value of options granted to the Directors is 5.82 cents per option.

** Valuation of Michael Bells Options

The options have been valued using the Binomial option valuation methodology by the Company's advisers and based upon the following assumptions:

- (i) the options expire 21 November 2009 and are exercisable at 22 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, was 20 cents;
- (iii) a common volatility factor of 60%;
- (iv) an interest rate of 5.31%;
- (v) A discount of 30% for the options not being listed;
- (vi) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation; and

- (vii) the valuation date and grant date for the options was 21 November 2005.

Based on the assumptions it is considered that the estimated value of options granted is 6.67 cents per option.

***** Valuation of Options granted to Messrs Petruzzelli, Russotti and Boyd**

The options have been valued using the Black & Scholes Model by the Company's advisers and based upon the following assumptions:

- (i) the options expire 1 December 2008 and are all exercisable at 33 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, being was 29.5 cents;
- (iii) a common volatility factor of 50%;
- (iv) an interest rate of 5.34%;
- (v) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation;
- (vi) the valuation date for the options was 7 October 2004; and
- (vii) grant date of 30 November 2004.

Based on the assumptions the estimated value of options granted to is 12.26 cents per option.

****** Valuation of Options granted to Mark Freeman**

The options have been valued using the Black & Scholes Model by the Company's advisers and based upon the following assumptions:

- (i) the options expire 19 August 2008 and are exercisable at 33 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, being was 30 cents;
- (iii) a common volatility factor of 50%;
- (iv) an interest rate of 5.655%;
- (v) A discount of 30% for the options not being listed;
- (vi) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation; and
- (vii) the valuation date for the options was 19 August 2004.

Based on the assumptions the estimated value of options granted is 8.89 cents per option.

23. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial years, except for:

- Issue of 11,000,000 shares at 30 cents each to raise \$3.3 million following exercise of 11 million options.
- Commence drilling of Kindee ST212 on 1 August 2006.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated entity's principal financial instruments comprise cash and commercial bills. The main purpose of these financial instruments is to finance the Consolidated entity's operations. The Consolidated entity has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Consolidated entity's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Consolidated entity's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Historically, the Consolidated entity has not implemented strategies to mitigate these financial risks. As discussed in the Review of Operations the Consolidated entity's activities have changed significantly during the financial year, with the increased acquisition of the US oil and gas projects. As the Consolidated entity's activities are mainly in the US the majority of funds held are held in US\$ to mitigate foreign currency risk. Accordingly, no hedging policies have been put in place. The Directors will review this policy periodically

going forward. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(a) Cash flow interest rate risk

The Consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the Consolidated entity's cash and short-term deposits with a floating interest rate. These financial assets with variable rates expose the Consolidated entity to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables and payables are non-interest bearing. The Consolidated entity currently does not engage in any hedging or derivative transactions to manage interest rate risk.

b) Foreign currency risk

As a result of operations in the United States, the Consolidated entity's balance sheet can be affected by movements in the US\$/A\$ exchange rates. The Consolidated entity also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Consolidated entity currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

(c) Commodity price risk

The Consolidated entity is exposed to crude oil and gas commodity price risk. Crude oil and gas prices can be volatile and are influenced by factors beyond the Consolidated entity's control.

(d) Credit risk

The Consolidated entity trades only with recognised, creditworthy third parties. It is the Consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated entity's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Consolidated entity. With respect to credit risk arising from the other financial assets of the Consolidated entity, which comprise cash and cash equivalents the Consolidated entity's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Since the Consolidated entity trades only with recognised third parties, there is no requirement for collateral.

(e) Liquidity risk

The Consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans if required. The Company does not currently have any bank loans.

25. FINANCIAL INSTRUMENTS

a. Interest rate risk

Interest rate risk exposures

The Consolidated entities exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

Consolidated	Weighted Average Interest rate	Maturing in 1 Year or Less		Total \$
		Floating Interest Rate \$	Non – Interest Bearing \$	
2006				
<i>Financial Assets</i>				
Cash assets	0.50%	3,459,865	-	3,459,865
Trade and other receivables - current	-	-	1,509,239	1,509,239
Trade and other receivables – non current	1.5%	228,808	-	228,808
		<u>3,688,673</u>	<u>1,509,239</u>	<u>5,197,912</u>
<i>Financial liabilities</i>				

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Trade and other Payables	-	722,585	722,585
	-	722,585	722,585

	Weighted Average Interest rate	Maturing in 1 Year or Less		Total \$
		Floating Interest Rate \$	Non – Interest Bearing \$	
2005				
<i>Financial Assets</i>				
Cash assets	0.50%	1,110,656	-	1,110,656
Trade and other receivables	-	-	145,597	145,597
Trade and other receivables - current	0.78%	85,072	-	85,072
Other financial assets	-	-	1,844	1,844
		1,195,728	147,441	1,343,169
<i>Financial liabilities</i>				
Trade and other Payables	-	-	178,555	178,555
		-	178,555	178,555

Parent	Weighted Average Interest rate	Maturing in 1 Year or Less		Total \$
		Floating Interest Rate \$	Non – Interest Bearing \$	
2006				
<i>Financial Assets</i>				
Cash assets	0.01%	229,317	-	229,317
Trade and other receivables - current	-	-	12,858	12,858
Trade and other receivables – non current			9,929,518	9,929,518
		229,317	9,942,376	10,171,693
<i>Financial liabilities</i>				
Trade and other Payables		-	67,040	67,040
		-	67,040	67,040

	Weighted Average Interest rate	Maturing in 1 Year or Less		Total \$
		Floating Interest Rate \$	Non – Interest Bearing \$	
2005				
<i>Financial Assets</i>				
Cash assets	0.01%	671,959	-	671,959
Trade and other receivables – current	-	-	10,483	10,483
Trade and other receivables – non current			5,143,418	5,143,418
Other financial assets	-	-	1,844	1,844
		671,959	5,155,745	5,827,704
<i>Financial liabilities</i>				
Trade and other Payables	-	-	52,469	52,469
		-	52,469	52,469

b. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date in portion to each class of recognised financial asset, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Company does not have any material risk exposure to any single debtor or group of debtors, under financial instruments entered into by it.

c. Net fair values

Methods and assumptions used in determining net fair value

For financial assets and liabilities, the net fair value approximates their carrying value, except for listed shares which are carried at \$1,844 in 2005 and have subsequently been written off. The Company has no financial assets where carrying amount exceeds net fair values at balance date.

26. SEGMENT INFORMATION

Primary reporting

During the 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.

Secondary reporting – Geographical segments

The Consolidated Entity generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

	Australia \$	USA \$	Consolidated \$
2006			
External segment revenue and other income	11,744	4,367,134	4,378,878
Segment result	(563,060)	(229,855)	(792,915)
Depreciation	4,697	8,031	12,728
Allowance for impairment of exploration expenditure	-	225,058	225,058
Segment assets	305,583	24,365,032	24,670,615
Segment liabilities	91,809	886,484	978,293
Amortisation of production assets	-	3,452,607	3,452,607
Share based payments	220,557	44,667	265,224
2005			
External segment revenue and other income	105,004	584,210	689,214
Segment result	(451,919)	(4,175,661)	(4,627,580)
Depreciation	10,561	1,105	11,666
Allowance for impairment of exploration expenditure	-	4,230,523	4,230,523
Segment assets	761,094	18,648,680	19,409,774
Segment liabilities	(68,623)	(149,852)	(218,475)
Amortisation of production assets	-	459,557	459,557
Share based payments	-	140,409	140,409

27. EXPLANATION OF TRANSITION TO AIFRS'

As stated in significant accounting policies note 1(b), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

(a) Reconciliation of equity reported under previous AGAAP to equity under AIFRS

	Consolidated		Parent	
	30 June 2005	1 July 2004	30 June 2005	1 July 2004
	\$	\$	\$	\$
Total Equity under AGAAP	19,384,919	22,047,287	19,384,919	22,068,044
Management option reserve (3)	103,629	-	103,629	-
Foreign currency translation reserve (2)	(213,543)	62,115	-	-
Retained earnings	-	22,038	(213,543)	138,143
Total Equity under IFRS	19,275,005	22,131,440	19,275,005	22,206,187

(b) Reconciliation of net profit under AGAAP to that under AIFRS

	Consolidated	Parent
	\$	\$
For the year ended 30 June 2005		
Profit after tax as reported under AGAAP	(4,650,542)	(4,671,018)
Foreign currency translation	(22,038)	(351,686)
Profit after tax under AIFRS	(4,672,580)	(5,022,704)

1. In the current financial year the Consolidated entity adopted AASB 132: Financial Instruments: Disclosure & Presentation and AASB 139: Financial Instruments: Recognition and Measurement. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

2. Under AASB 121: The effects of changes in foreign exchange rates has resulted in a restatement of exploration expenditure, losses on the income statement and a net adjustment to the foreign exchange translation reserve due to the change in functional currency of the Consolidated entity from Australian dollars to US dollars. Under previous AGAAP, the temporal method was applied which has changed to the current rate method under AFRIS.

3. Under AASB 2 'Share-Based Payments' the Company has been required to bring to account the value of options vesting over that period.

Independent audit report to members of Golden Gate Petroleum Limited

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Golden Gate Petroleum Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

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 company and the consolidated entity, and that complies with Accounting Standards in Australia, 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.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

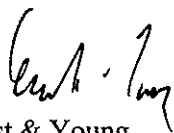
Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report.

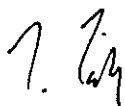
Audit opinion

In our opinion, the financial report of Golden Gate Petroleum Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Golden Gate Petroleum Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



VW Tidy
Partner
Perth
29 September 2006

The Board of Directors of Golden Gate Petroleum Ltd are committed to good corporate governance taking into account the Company's size and activities and has a range of policies and processes in place to ensure the rights of the Company and our shareholders are protected.

In March 2003, the Australian Stock Exchange Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations"). This document is for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations; to identify any recommendations that have not been followed and reasons for not doing so. The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required.

In a limited number of instances, the Company may determine not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australian Stock Exchange ("ASX") Corporate Governance Council recommendations, unless otherwise stated.

The Company's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Lay solid foundations for management and oversight
- Structure the board to add value
- Promote ethical and responsible decision making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Recognise and manage risk
- Encourage enhanced performance
- Remunerate fairly and responsibly
- Recognise the legitimate interests of stakeholders

For further information on corporate governance policies adopted by the Company, refer to our website: www.ggpl.com.au

BOARD OF DIRECTORS

Role of the Board

The primary role of the Board of Directors is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for monitoring financial and other reporting.

Board processes

The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Company is engaged in the upstream oil and gas exploration and production business. The Company's oil and gas assets have increased significantly over the last 12 months and production has revenue has increased 8 fold with an expected significant increase in its gas production and cash flow within the next two years. The critical skills required by the Board in pursuing the Company's business plan continue to be expert geological and exploration and evaluation project management skills together with strong fiscal management skills. In addition, each director is charged with having a thorough understanding of and responsibility for the protection of the rights of the Company and its shareholders.

The Board has these skills (refer to the biographies in the Director's Report) and as the Company's business plan progresses will add new directors as and when complimentary skills are required.

The Board presently comprises one non-executive Chairman, the Managing Director and an executive director. The Chairman, Mr Petruzelli, is independent. The Company primarily has consultants providing technical services with two full time employees, the Managing Director and the Chief Operation Officer. All the senior technical and financial personnel are highly qualified and have previously held roles of executive responsibility in much larger organisations.

The directors meet frequently, both formally and informally, to ensure a mutually thorough understanding of the Company's business and all the Company's policies of corporate governance are adhered to. The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary and is circulated in advance.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office
Mr F Petruzzelli	3 Years
Mr S Russotti	3 Years
Mr M Freeman	1 Year

Director education

The consolidated entity has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the consolidated entity concerning the performance of directors. Directors are given access to and encouraged to participate in continuing education opportunities to update and enhance their skills and knowledge.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice from a suitably qualified advisor at the consolidated entity's expense. The director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other board members.

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, Mr Petruzelli is considered to be independent. Therefore the majority of the Board are not independent.

Recommendation 9 states that non-executive directors should not receive options or bonus payments. The Company intends to continue its policy of awarding options or other securities to non-executive directors as it considers this to be a reasonable and appropriate method of assisting in attracting and retaining suitably skilled board members.

Nomination committee

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2006, the Company did not have a separate nomination committee. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee. The Board has reviewed its policy on nominations and incorporates below its summarised policy.

Factors considered for a new candidate include:

- The skills required for appointment to the Board;

- How differing skills are represented on the Board;
- Processes for the identification of suitable candidates for the Board;
- The time commitment required by a Director to effectively discharge duties;
- The number of existing directorships and other commitments that the candidate may have;
- Assessment of the 'independence' of the candidate; and
- The extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The following procedure is followed in selecting and appointing a new director:

- Utilize personal networks or external consultants to identify potential candidates;
- Assess appropriateness of candidate with consideration to the above points;
- Determine the terms, conditions, responsibilities and expectations of the new position;
- Non-executive directors should be appointed for specific terms subject to re-election and to the ASX Listing Rules and Corporations Act provisions concerning removal of a director;
- Ultimate decisions about who is elected to the board are to be made by the shareholders; and
- Ensuring that the new board member is inducted and that they have every opportunity to increase their knowledge about the Company to ensure that they can participate in an effective manner to the board deliberations.

CONTINUOUS DISCLOSURE POLICY

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

- Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
- Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
- Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Company Secretary is responsible for coordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Company Secretary, including:

- Media releases;
- Analyst briefings and presentations; and
- The release of reports and operational results.

Information not disclosed via ASX announcement that might be considered share price sensitive will not be discussed with any external parties other than on a confidential basis in order to conduct the business of the Company. Discussions with external parties will only occur following an ASX announcement. All written materials containing new price sensitive information to be used in briefing media, investors and analysts will be notified to the ASX prior to the commencement of that briefing. In reviewing the content of analysts' reports and profit forecasts, the Company will correct factual inaccuracies or historical matters. Media contact and comment are conducted by the Company Secretary. Other directors, officers and employees of the Company will not disclose any information to the media without express permission from the Company Secretary.

Information is communicated to shareholders as follows:

- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments.
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the

Australian Securities and Investment Commission and the ASX, and sent to any shareholder who requests it.

- quarterly reports are prepared in accordance with ASX listing rules and in summary form are distributed to all shareholders.
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.
- all announcements made to the market, and related information are placed on the Company's website after they are released to the ASX, including regular updates on operations.
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website.

All of the above information is made available on the Company's website. Copies of all presentations made by the Company in a public forum are posted on the website. The majority of the information is also emailed to all shareholders who lodge their email contact details with the Company.

The external auditor is requested to attend the Annual General Meeting to answer any questions concerning the audit and the auditor's report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors.

SHARE TRADING POLICY

The Company has established a policy that imposes certain restrictions on directors, senior management and other employees trading in the Company's securities. The policy has been adopted to prevent trading in contravention of the insider trading provisions of the Corporations Act 2001, in particular when Company personnel are in possession of price-sensitive information.

In general trading in the Company's securities is prohibited:

- whilst in possession of unpublished price sensitive information;
- where officers are engaging in the business of active dealing;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or annual report to the ASX; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a director or employee is applying for securities pursuant to that disclosure document.

Directors must notify the Board and employees must notify the managing director in advance of any transactions involving the Company's securities. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, directors advise the ASX of any transaction conducted by them in shares or options in the Company.

CONFLICT OF INTEREST

In accordance with the Corporations Act and the Company's constitution directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

REMUNERATION AND PERFORMANCE ASSESSMENT

Remuneration committee

Recommendation 9.2 requires listed entities to establish a remuneration committee. During the year ended 30 June 2006, the Company did not have a separate remuneration committee. The duties and

responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

Remuneration policies

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the Managing Director and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- Retention and Motivation of key executives
- Attraction of quality management to the Company
- Performance incentives which allow executives to share the rewards of the success of the Company

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders.

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to sections (a) to (e) of the remuneration report in the directors' report disclosures. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Performance

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be asked to retire.

RISK MANAGEMENT

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the consolidated entity's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The consolidated entity believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee.

The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the consolidated entity's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Managing Director and the Chief Financial Officer have declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the consolidated entity.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the consolidated entity's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

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 quarterly 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. Recommendation 4.3 requires listed entities to have an audit committee consisting of only non-executive directors, a majority of independent directors, an independent Chairman, who is not Chairman of the board and at least three members. Recommendation 4.4 requires the audit committee to have a formal charter.

The Company does not currently comply with the Recommendations. During the year ended 30 June 2006, the Company did not have a separate audit committee. The duties and responsibilities typically delegated to such a committee were considered to be the responsibility of the full Board, given the size and nature of the Company's activities and as a result the Company disbanded the Audit Committee.

It is the Board's 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.

The board, consists of members with financial expertise and detailed knowledge and experience of the mineral 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 consolidated entity. The Managing Director and the Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 30 June 2006 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.

ETHICAL STANDARDS

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

HEALTH, SAFETY, ENVIRONMENT AND HERITAGE PROTECTION POLICY

The Company is committed to compliance with all relevant laws and regulations and continual assessment of its operations to ensure protection of the environment, the community and the health and safety of its employees. The Company has adopted a policy and maintains appropriate procedures to ensure that all Company activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount and which recognises environmental sustainability and respect for cultural and heritage issues as essential requirements for all its activities. Procedures are maintained to govern the activity of employees and contractors to ensure that the objectives of this policy are met.

Stock Exchange Listing

Golden Gate Petroleum Ltd shares are listed on the Australian Stock Exchange Limited. The Company's ASX code is GGP and GGPO.

Substantial Shareholders (Holding not less than 5%)

As at 25 September 2006

Name of Shareholder	Total Number of Voting Share in the Company in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Tiedemann Global Emerging Markets Funds	13,584,576	8.38

Class of Shares and Voting Rights

At 25 September 2006 there were 1,942 holders of 162,103,950 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

- a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
- b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
- c) on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

There are no voting rights attached to the options in the Company. Voting rights will be attached to the unissued ordinary shares when options have been exercised.

Distribution of Security Holders

Number of Shares Held	Number of Shareholders	Number of Option Holders
1 – 1,000	241	12
1,001 – 5,000	421	29
5,001 – 10,000	312	51
10,001 – 100,000	762	177
100,001 and over	206	54
Total	1,942	323

The number of shareholders holding less than a marketable parcel is 256.

Cash Usage

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

Listing of 20 Largest Shareholders

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held
1.	Westpac Custodian Nominees	28,500,130	17.58
2.	ANZ Nominees Limited	16,028,086	9.88
3.	Merrill Lynch (Australia)	10,030,809	6.18
4.	National Nominees Limited	3,245,363	2.00
5.	Shake & Twist Limited	2,666,666	1.64
6.	Citibank Canada	2,013,120	1.24
7.	Citicorp Nominees Pty Limited	1,710,261	1.05
8.	UBS Wealth Management	1,622,888	1.00
9.	Mr Keith William Sheppard	1,460,000	0.90
10.	Towertun Pty Ltd	1,225,702	0.75
11.	Francis Maxwell Douglas Seven Wentworth	1,200,000	0.74
12.	Ninallo Pty Ltd	1,200,000	0.74
13.	Alimold Pty Ltd	1,190,000	0.73
14.	Four P Investment Co Pty Ltd	1,162,000	0.71
15.	Byrne Holdings Pty Ltd	1,150,000	0.70
16.	Cavil Singh	1,150,000	0.70
17.	WM Clough Pty Ltd	961,538	0.59
18.	Sandra Joan Traviati	906,400	0.55
19.	APR Nominees Pty Ltd	890,783	0.54
20.	Hyperion Investment Holdings Ltd	864,820	0.53
	Total	79,178,566	48.83

Options Expiring on 31 December 2006

	Name of Option Holder	Number of Options Held	Percentage of Shares Held
1.	Westpac Custodian Nominees	5,003,401	17.576
2.	Alimold Pty Ltd	1,400,000	4.91
3.	Geoffrey Michael Knight & Deanna Kaye Knight	1,150,000	4.03
4.	Waltkab Pty Limited	1,107,944	3.89
5.	Frank Joseph Burke	848,284	2.97
6.	June Wilkin	815,715	2.86
7.	Francis Maxwell Douglas	750,000	2.63
8.	Troy Holmes Pty Ltd	690,000	2.42
9.	Bernadette Ann Ross	673,030	2.36
10.	Anne Lorraine Baxendale	634,131	2.22
11.	Diskfin Pty Ltd	605,248	2.12
12.	Najava Pty Ltd	518,831	1.82
13.	Lloyd Murray Ross	380,000	1.33
14.	Mungala Pty Ltd	360,352	1.26
15.	Highland Timbers Pty Ltd	345,000	1.21
16.	Syzygy Holdings Pty Ltd	334,615	1.17
17.	Andrew Lennox	329,200	1.15
18.	Thomas Booth	319,600	1.12
19.	Point Advisory Pty Ltd	300,000	1.05
20.	Anne-Carita Kontkanen	296,923	1.04
	Total	16,862,274	59.22

Unquoted and Escrowed Equity Securities

Securities	Number	Escrow Period	Name of Holders	Number Held
Options exercisable at 22 cents on or before 1 December 2008	3,500,000	-	Sam Russotti Frank Petruzzelli	3,000,000 500,000
Options exercisable at 22 cents on or before 21 November 2009	3,000,000	-	Michael Bell	3,000,000
Options exercisable at 44 cents on or before 18 February 2007	800,000	-	Sam Russotti Frank Brophy	480,000 320,000
Options exercisable at 32 cents on or before 2 March 2007	25,000	-	Don Boyd	25,000
Options exercisable at 33 cents on or before 19 August 2008	200,000	-	Mark Freeman	200,000
Options exercisable at 33 cents on or before 1 December 2008	1,000,000	-	Sam Russotti Frank Petruzzelli Don Boyd	400,000 300,000 300,000

GOLDEN GATE PETROLEUM LTD | SCHEDULE OF OIL AND GAS INTERESTS

As at 29 September 2006

Project Name	Holder	Percentage held	Expiry Date
Bethany Project			
NE Bethany Field, Panola County, Texas, USA. Water Flood Unit 3	GGP Exploration Ltd	100%	N/A
Padre Island Joint Venture			
Approximately 87 leases on Padre Island, SW Texas	Long Flat Ltd/Kindee Oil and Gas, LP.	Various interests as disclosed below	Progressive over the next two - three years
Producing Fields			
LaPlaya Shallow		35%	
Dunn Deep (new field producing from LaPlaya Deep #1)		35%	
LaPlaya Deep (zone shut in as used to produce Dunn Deep)		100%	
West Bird		70%	
Shallow Prospects			
El Mar (all depths)		35%	
Manzano Shallow (to 10,500 ft)		35%	
Plum Shallow 30% of the Structure (to 9500ft)		10%	
Plum Shallow 70% of the Structure (to 9500 ft)		35%	
Papaya (to 9500 ft)		50%	
Lemon (to 9100 ft)		30%	
Wilson to 15000 ft)		37.5%	
Kingsway (all depths)		37.5%	
Lemonseed (to 9100 ft)		37.5%	
Deep Prospects			
Plum Deep (9501 ft to 15000 ft)		37.5%	
Manzano (10501 ft to 15000 ft)		37.5%	
Murdock (all depths)		37.5%	
Lemonseed (9101 ft and deeper)		22.5%	
Ultra Deep (Deeper than 16,000 feet)			
		35%	