



GOLDEN GATE PETROLEUM LTD



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31 January 2005

Market Release (*via electronic lodgement*)

QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 DECEMBER 2004

HEADLINES

- Syd – A3 and A2 flow gas during tests
- Pipeline completed and Syd – A1 tied in
- Re-completion of well #2501 in progress
- Mini frac performed on zone 3 in Homerun
- Future Drilling Programmes
- Fundraising of \$2.1m

BETHANY – TEXAS (100% WI)

SYD – A3/A2

During the quarter the Company drilled Syd – A3 and Syd – A2. During testing flow rates were estimated at 200 to 300 mcf per day and 375 to 420 mcf per day through a 16/64 inch choke respectively. Both wells are producing small amounts of water which is impeding the flow of gas and causing the wells to periodically shut down. A pumping unit will be installed in order to remove the water and maintain a consistent flow of gas. This is expected to occur in early February 2005.

SYD – A1

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

WELL # 2501

An attempt at re-completing Well#2501 (an existing oil well) in the Paluxy gas sand met with partial success. When first opened up the well flowed strongly but rapidly declined. Subsequent shut in of the well still results in a rise in tubing pressure implying that there remains gas in the reservoir. Swabbing of the well has recovered drilling mud. Since drilling mud was not used during the re – completion the conclusion is that it is coming from behind the well casing and implies that the cement behind the casing is faulty and the

perforations are being blocked by debris. Over the next two weeks operations are planned to repair the cement by injecting new cement through the perforations. The zone will then be re-perforated and tested.

HOMERUN – 1 (10% WORKING INTEREST) – LOCATION: PADRE ISLAND

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

Zone 3 was subsequently perforated. Swabbing of the zone failed to produce a sustained flow of gas however 14 bbls of oil were recovered from the pipe. The zone has since been subjected to a mini frac of 75 barrels and the well was shut in and pressure movement monitored and recorded. The pressure has stabilised at 3,100 psi and the data has been sent to an independent expert for review. The Joint Venture is awaiting the completion of this review and its recommendations.

PRODUCTION

During the quarter Golden Gate's estimated share of production from its USA operations was 18.2 million cubic feet of gas and 51 barrels of oil.

FUTURE DRILLING PROGRAMMES

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

CORPORATE

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

On 22 December 2004 the Company announced its Small Shareholder Sale Facility to all shareholders who have less than a marketable parcel. The facility will close on 4 February 2004.

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

The Board also issued 300,000 unlisted options to Don Boyd, Drilling Manager for the Bethany Project, as part of his remuneration package. The options are exercisable at 33 cents on or before

1 December 2008. The options vest pro-rata over a 12 month period, being fully vested by 1 December 2005.

The Company's capital structure is as follows:

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

On behalf of the
Board of Directors

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

Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Golden Gate Petroleum Ltd

ABN

34 090 074 785

Quarter ended ("current quarter")

31 December 2004

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	111	302
1.2 Payments for		
(a) exploration and evaluation	(601)	(1,168)
(b) development	(482)	(578)
(c) production	(25)	(38)
(d) administration	(157)	(285)
(e) cash (advance to)/ applied by JV Operator	193	257
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	2	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(959)	(1,505)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(f) prospects		
(g) equity investments		
(h) other fixed assets		(1)
1.9 Proceeds from sale of:		
(i) prospects	102	102
(j) equity investments		84
(k) other fixed assets		
1.10 Loans from other entities		
1.11 Loans repaid to other entities		
1.12 Cash recognised from acquisitions of subsidiaries		
Net investing cash flows	102	185
1.13 Total operating and investing cash flows	(857)	(1,320)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (carried forward)	(855)	(1,318)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,000	2,000
1.15	Costs of the Issue		(14)
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	2,000	1,986
	Net increase (decrease) in cash held	1,143	666
1.20	Cash at beginning of quarter/year to date	933	1,452
1.21	Exchange rate adjustments to item 1.20	(72)	(113)
1.22	Cash at end of quarter	2,005	2,005

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	48
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

<p>Director and employee services provided by Mr S Russotti for the period aggregated \$38,403.</p> <p>Director services were provided by MDB Coralton Pty Ltd, a company in which Mr F Petruzzelli is a director, under normal commercial terms and conditions for the period aggregated \$9,626 (GST Inclusive).</p> <p>Administrative services were provided by Mitchell River Group Pty Ltd, a company in which Mr Craig Burton is a director, under normal commercial terms and conditions for the period aggregated \$366.69 (GST inclusive).</p> <p>Reimbursement of bonafide expenses were provided by Verona Capital Pty Ltd, a company in which Mr Craig Burton is a director, under normal commercial terms and conditions for the period aggregated \$42.44 (GST inclusive).</p>
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	
Total	500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	2,005	933
5.2 Deposits at call	0	0
5.3 Bank overdraft	0	0
5.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.22)	2,005	933

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	138,416,951	138,416,951		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,667,066	6,667,066	30 cents	30 cents
7.5 *Convertible debt securities (description)	Number	⁺ Class		
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	41,446,629	28,461,629	Exercise price 65 cents (28M) 30 cents (11M) 20 cents (0.96M) 44 cents (0.8M) 32 cents (25k) 33 cents (200k) 33 cents (1m)	Expiry date 31 Dec 06 10 August 06 31 May 06 18 Feb 07 2 March 07 19 Aug 2008 1 Dec 2008
7.8 Issued during quarter	1,000,000		Nil	Nil
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)	0			

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)	0	
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Mark Freeman

Company Secretary

Date: 31 January 2005

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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