



GOLDEN GATE PETROLEUM LTD

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31 January 2006

Market Release (*via electronic lodgement*)

QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 DECEMBER 2005

- ❖ Golden Gate acquired all of Mitsui's interest in the Padre Island Project.
- ❖ Golden Gate entered into an agreement to farm out a 25% working interest in six Padre Island Prospects.
- ❖ Golden Gate is participating in the Dunn-Peach #6 well on the Plum Shallow structure.
- ❖ Electric logs indicated a gross 40 feet of potential gas column in Dunn-Peach #6 before hole problems forced the well to be side tracked.
- ❖ Re-completion of LaPlaya Deep #1 discovered a new shallow gas field (the Dunn Deep Field).
- ❖ Golden Gate's gross share of production is now 2.3 million cubic feet per day.
- ❖ Appointment of former Unocal VP Mike Bell as its Chief Operating Officer based in Houston.
- ❖ Completed a \$4.1m fundraising in January 2006.

ACQUISITIONS

On 29 November, Golden Gate completed its strategy to gain full control of the Padre Island Project by acquiring Mitsui's USA subsidiaries who held a 20% interest in the Padre Island leases. The consideration for the acquisition was US\$125,000.

Part of the conditions of the acquisition was that the effective date was set as 1 September 2005. The production revenue from that date belongs to Golden Gate and as a result only a small cash consideration was required to complete the acquisition.

The exploration interests were subject to Golden Gate's agreement with Lodore Resources and subsequent farmout with Pantheon Resources (as detailed below).

FARMOUTS

On 21 December 2005 the Company announced a farm out agreement had been reached with Pantheon Resources, a private company. 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).

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

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

Pantheon Resources has made an earnest payment of US\$200,000 which is to be credited against acreage payments due.

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

Pantheon will pay 33.33% of the costs of drilling an exploration well down to its planned total depth in each of the prospects. Once a well has reached its planned total depth and casing has been run Pantheon will only be required to bear further costs in proportion to its 25% working interest.

EXPLORATION

Dunn – Peach # 6

Location: Padre Island

Golden Gate: 10% interest

This well reached its planned total depth of 10,813 ft. Electric logs indicate a potential gross gas column of 40 feet containing three separate zones that make up a probable 20 feet of net reservoir. Because of hole problems encountered while attempting to running casing the JV decided to plug back the original well and to side track and drill new hole through the section causing the problems. Drilling of the side track section has since been completed and testing is expected to commence by 2 February 2006.

LaPlaya Deep # 1 (Dunn Deep Field)

Location: Padre Island

Golden Gate: 35% interest

The LaPlaya Deep #1 well flowed gas over a test period of eleven days at an average rate of 3.19 million cubic feet per day along with oil at an average rate of 41.5 barrels per day. The well has been tested directly into the sales gas line hence revenue has already commenced. Since the original test production has increased to approximately 4.8 million cubic feet of gas and 77 barrels of oil per day.

The discovery was made in a shallow section of the existing La Playa Deep #1 well bore and is classed as a new field discovery. Golden Gate's technical team was always optimistic about the potential of this zone to flow gas but was never in a position to influence the testing operation. The increased equity in the project area post the Novus and Mitsui acquisition put Golden Gate in a more influential position in the Padre project which has resulted in increased exploration and development activities.

The use of the existing LaPlaya Deep #1 well has enabled Golden Gate to access the gas in this new field without incurring any drilling expenditure. The successful testing has more than doubled the Company's pre December production rate. The Joint Venture has already approved the expansion of existing facilities at LaPlaya as it is confident production rates can be further increased.

Golden Gate believes there is scope for further development/appraisal wells on both the original shallow LaPlaya Field and this new field (named "Dunn Deep"). These factors combined with the potential gas discovery in Dunn-Peach #6 (which is in the process of been side tracked prior to been completed for testing) and at least five other shallow structures that are yet to be drilled provide significant opportunities in the shallow gas potential at Padre Island.

The shallow gas opportunities come on top of the high impact deep prospects which should commence drilling in the first half of this year. Combined these shallow and deep gas exploration opportunities provide Golden Gate with the potential to achieve even larger increases in production during 2006. Golden Gate has already announced that it has farmed out some of its drilling obligations in the deep sections where three large prospects are ready to drill.

WORKING INTEREST

On completion of the farm out to Pantheon Resources the interests in Padre Island will be 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%	-
<u>Shallow Prospects (To approximately 10,500 feet)</u>				
El Mar	35%	-	65%	-
Manzano Shallow	35%	-	65%	-
Plum Shallow in leases containing 30% of the Structure)	10%	-	90%	-
Plum Shallow in leases containing 70% of the Structure)	35%	-	65%	-
Papaya	50%	-	50%	-
Lemon	35%	-	65%	-
Wilson	37.5%	37.5%	-	25%
Kingsway	37.5%	37.5%	-	25%
<u>Deep Prospects (from approximately 10,500 to 16,000 feet)</u>				
Plum Deep	37.5%	37.5%	-	25%
Manzano	37.5%	37.5%	-	25%
Murdock	37.5%	37.5%	-	25%
Lemonseed	17.5%	17.5%	40%	25%
Ultra Deep (Deeper than 16,000 feet)	30%	30%	40%	-

* Subject to Pantheon completing it's farm in obligations.

PRODUCTION

During the quarter Golden Gate's estimated net share of production from its USA operations was **64.6** million cubic feet of gas and **264** barrels of oil.

These production numbers do not reflect the current full impact of the increased production from LaPlaya Deep #1 because the well was not tested and tied in until December. At the current production rate of around 4.8 million cubic feet of gas and 77 barrels of oil per day, it is anticipated that production for the next quarter will be substantially higher.

Based on current production rates Golden Gate's gross share of production from Padre Island is currently around 2.3 million cubic feet of gas and 81 barrels of oil per day. This represents a more than 7 fold increase over pre July 2005 production rates.

FUTURE DRILLING PLANS

The Company plans to commence drilling operations as soon as possible and anticipates that it will start its drilling programme with either a Plum or Wilson well during May 2006. The actual well and commencement date are dependent on which drilling application is approved first and the type of drilling rig available. Contract negotiations with a drilling contractor to provide a rig in May are close to completion. The Company has also commenced planning for a shallow La Playa development well (operated by BNP) and it may be drilled at the same time.

CORPORATE

Management Appointment

The Board of Golden Gate Petroleum Ltd is pleased to have appointed Mr Michael Bell to the position of Chief Operating Officer-USA in November 2005.

In this role, Mr Bell is responsible for driving the 2006 Padre Island drilling programme and the development and production of discovered hydrocarbons.

Mr Bell is a petroleum professional with over twenty-five years experience in the Oil and Gas industry and has an impressive set of credentials and achievements, with a particular focus in the development of deepwater fields in the Gulf of Mexico with BP, Mobil and Unocal.

His most recent position was Vice President, Deepwater Gulf of Mexico, Unocal Corp for 7 years where he established Unocal as a leader in deepwater exploration and was instrumental in the discoveries at Mad Dog, K2, Puma, Knotty Head, Trident, St. Malo, and Tobago.

Mr Bell is a graduate of Dartmouth College with an AB in Earth Sciences. He also holds an MSc degree from Cornell University. In 2001, he completed the Advance Management Program at Harvard Business School.

Share Placement

On 30 January 2006 the Company allotted 11,716,999 shares at 35 cents each to institutional and overseas investors and raised A\$4,100,950. Funds raised from this offer will be used to provide working capital and towards the Company's drilling programmes on Padre Island.

Annual Meeting

The Company's AGM was held on 30 November 2005. All resolutions were passed on a show of hands.

On behalf of the Board of Directors.

For further information contact:

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Finance Director/Company Secretary
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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 2005

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	562	903
1.2 Payments for		
(a) exploration and evaluation	(448)	(691)
(b) development		
(c) production	(150)	(210)
(d) administration	(72)	(137)
(e) cash (advance to)/ applied by JV Operator	(141)	(135)
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		(4)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net Operating Cash Flows	(247)	(269)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(f) prospects		
(g) equity investments	(9)	(1,350)
(h) other fixed assets		(8)
1.9 Proceeds from sale of:		
(i) prospects	553	553
(j) equity investments		
(k) other fixed assets		
1.10 Loans from other entities		1,322
1.11 Refunds/(Payments) of Security Deposits	(48)	(348)
1.12 Cash recognised from acquisitions of subsidiaries		18
Net investing cash flows	496	187
1.13 Total operating and investing cash flows	249	(82)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (carried forward)	249	(82)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Costs of the Issue		
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			
	Net increase (decrease) in cash held	249	(82)
1.20	Cash at beginning of quarter/year to date*	803	1,111
1.21	Exchange rate adjustments to item 1.20	28	51
1.22	Cash at end of quarter	1,080	1,080

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	81
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Director and employee services provided by Mr S Russotti for the period aggregated \$38,150.

Director and employee services provided by Mr F Petruzzelli and MDB & Co, a company in which Mr Petruzzelli is a director, for the period aggregated \$6,379.

Executive and Bookkeeping services provided by Meccano Pty Ltd, a company in which Mr Freeman is a director, for the period aggregated \$18,000 and 9,489.71 respectively.

Executive services provided by Verona Capital Pty Ltd, a company in which Mr Burton is a director, for the period aggregated \$8,750.

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

During the quarter the Company acquired Mitsui's interest in Padre Island for US\$125,000. As a result of a negative working capital position and gas receivables owed to the Company the net cash impact of this acquisition was \$9,000.

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	600
4.2 Development	
Total	600

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	1,080	803
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)	1,080	803

Changes in interests in mining tenements

During the quarter the Company acquired Mitsui's interest in Padre Island which averaged 20% of the tenements. This acquisition was subject to a farm out agreement with Lodore Resources resulting in Lodore Resources being entitled to 50% of the Deep exploration targets. On 23 December the Company announced a farmout of 25% of six of the deep exploration targets to Pantheon Resources, this farm-down is equally shared between the Company and Lodore (ie 12.5% each). A detailed summary of the Company's interests in Padre Island is located on page 3 of the activities report.

+ 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				
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	28,466,369	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) 22 cents (3m) 22 cents (3.5m)	Expiry date 31 Dec 06 10 August 06 31 May 06 18 Feb 07 2 March 07 19 Aug 2008 1 Dec 2008 21 Nov 2009 1 Dec 2008
7.8 Issued during quarter			22 cents (3m) 22 cents (3.5)	21 Nov 2009 1 Dec 2008
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

Finance Director/Company Secretary

Date: 31 January 2006

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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+ See chapter 19 for defined terms.