

# **GOLDEN GATE PETROLEUM LTD**

ABN 34 090 074 785

and controlled entities

**Financial Report**  
**30 June 2010**

## CORPORATE DIRECTORY

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### DIRECTORS

Stephen Graves (Managing Director)  
Sam Russotti (Non-Executive Chairman)  
Frank Petruzzelli (Non-Executive Director)  
Frank Brophy (Non-Executive Director)

### SECRETARY

Chris Bowyer

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### SOLICITORS

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### AUDITORS

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### SHARE REGISTRY

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### AUSTRALIAN SECURITIES EXCHANGE CODE

GGP (Ordinary Shares)  
GGPO (Listed Options)

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## DIRECTORS' REPORT

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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 2010.

### 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.

#### Stephen Graves (Managing Director)

Mr Graves has over 30 years in the oil and gas industry both in Australia and overseas. Most recently Mr Graves was Executive Chairman of Orchard Petroleum. Like Golden Gate, Orchard was transformed from a purely exploration company to a company with reserves and production that was eventually taken over in April 2007. Mr Graves was instrumental in this transformation.

Mr Graves worked for Mobil Corporation and affiliated companies for 23 years. He has also been an independent consultant to the energy industry, a senior consultant to Ernst & Young and has extensive experience with funding infrastructure projects. During the past 3 years, Mr Graves has not served as a director on any other listed companies.

#### Sam Russotti, BSc (Non-Executive Chairman)

Mr Russotti is a geologist with more than 30 years experience in the petroleum industry. He has been an executive director of the Company 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.

During the past 3 years, Mr Russotti has not served as a director on any other listed companies.

#### Frank Petruzzelli (Non-Executive Director)

Mr Petruzzelli is a principal of MDB & Co, an Australian accounting firm and has been a director of the Company since May 2001. He is an accounting and management services specialist and advises many ASX listed companies and large private organisations.

During the past 3 years, Mr Petruzzelli has served as a director for Solimar Energy Ltd.

#### Frank Brophy (Non-Executive Director) – Appointed 1 November 2009

Mr Brophy is a geologist with more than 45 years in the Oil and Gas industry. Mr. Brophy has an extensive background in petroleum exploration, development, and production projects across the world with companies that became subsidiaries of Elf Aquitaine and Maurel & Prom. Mr Brophy is currently the Technical Director for AIM listed Emphyrean Energy PLC.

#### Chris Bowyer BCA, (Company Secretary)

Mr Bowyer is a chartered accountant with 16 years experience in public practice as well as the private sector. Chris is currently the Company Secretary of Solimar Energy Ltd, an ASX listed oil and gas explorer with projects in California, USA. Chris was previously Company Secretary of Orchard Petroleum Ltd which was listed on the ASX before its takeover in March 2007. He is an employee of MDB, an Australian accounting firm.

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

As at the date of this report, the interests of the current directors in the shares and options of the Company were:

	Ordinary Shares	Listed Options	Un-Listed Options	Expiry	Exercise price (\$)
Stephen Graves	2,802,542		5,000,000	30/10/10	0.35
	-	489,021	-	31/08/12	0.08
Sam Russotti *	1,069,287		4,000,000	30/10/10	0.35
	-	198,753	-	31/08/12	0.08
Frank Petruzzelli	2,422,894		2,000,000	30/10/10	0.35
	-	379,149	-	31/08/12	0.08
Frank Brophy	-		-	-	-

\* 100,582 of these shares are held by Mr Russotti on behalf of other people and are not beneficially owned by Mr Russotti.

**DIRECTORS' REPORT****Directors' meetings**

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

Director	A	B
Sam Russotti	6	6
Stephen Graves	6	6
Frank Petruzzelli	6	6
Frank Brophy	3	3

A – Number of meetings attended

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

**2. OPERATING AND FINANCIAL REVIEW****Overview of the consolidated entity**

The Company had an extremely active year in terms of a significant drilling campaign, new project acquisitions and capital raisings that has led to the company being debt free and a substantial overall improvement in its financial position.

The consolidated net loss for the economic entity for the year ended 30 June 2010 was \$15,208,084 (2009: \$7,328,493). This amount has been adversely affected by the IFRS accounting treatment of extinguishing \$6,500,000 of convertible notes during the year, which totalled \$5,101,206, inclusive of the interest expense attributable to these convertible notes. The Company also booked impairment write-downs on its exploration and development assets totalling \$8,135,202 and paid a break fee to terminate merger discussions with Pass Petroleum Pty Ltd of \$590,110.

Oil production increased from 44,607 BBL to 58,624 BBL. The increase in oil production is as a result of the Jumonville #2 Well coming on production at the end of June 2009. Gas production decreased from 590 mmcf to 106mmcf. The decrease in gas production was caused by the ceasing of production at Mid Frio#1 and Manzano #2 DM11A wells due to the operator entering into bankruptcy protection in the United States. This action also adversely affected the Company's oil production.

During the year the Company established a 30% working interest and operatorship in the Silverwood prospect, a high impact oil and gas exploration project located onshore in South Louisiana. Additionally the Company completed arrangements for a 15% working interest in the Napoleonville Salt Dome project. The initial agreement covered the first three prospects; however the Company also has options to participate in subsequent three well prospects and can ultimately earn a 15% working interest over the entire dome project.

The Company currently has 5 active projects. Bullseye is in commercial production. Fausse Point, Silverwood and Napoleonville are in various stages of testing and Bowtie West has been delayed due to additional time required to complete land agreements.

A summary of the financial year's drilling campaign is below:

	WI	Completion	Status
<b>Louisiana</b>			
Fausse Point - TGR Well #1	18.00%	Jan 2010	Testing
Silverwood - Richardson #1	30.00%	Jul 2010	Testing
Napoleonville - Dugas & Leblanc #1	15.00%		Well currently being assessed for completion or P & A following blow out

**Strategy and investments for future performance**

The Company is continuing to seek out high potential value and reasonable cost opportunities onshore Gulf Coast States, USA. Management has assembled a strong technical team based in Houston, Texas. The Company has a clear strategy to achieve profitability and reserves growth through petroleum development and exploration by continuing to develop the Bullseye Project, targeting in the Company's view, moderately low risk high impact conventional oil and gas plays located onshore in Louisiana and Texas. The forward programme will involve both operated and non-operated ventures. The Company seeks to maintain a balanced portfolio of development and exploration at all times and hence will modify its working interest in projects in order to suit the predetermined criteria set by the board.

**DIRECTORS' REPORT**

The Company continues to consider new opportunities from:

- Developing prospects from licensed seismic data;
- Farm-ins to exploration and development prospects at reasonable terms; and
- Strategic farm outs to balance the overall portfolio risk and return.

The Company ranks these opportunities on a risk versus reward basis, preferring those opportunities that have minimal up-front cost exposure but very high potential future value.

**Performance indicators**

The board and management team work together in establishing strategic plans and annual budgets. Key performance indicators identified from the plans and budgets are used to monitor performance and are reviewed by the board on a regular basis.

**Dynamics of the business**

Continued high oil prices and the embargo on offshore development have meant that demand for quality onshore prospects have increased. On the gas side, there has been an over-supply in the North American market which has prices soft, although many projects with contractual supply commitments continue to be developed. The Company's strategy has been to focus on onshore oil and gas projects at shallow to medium depths while maintaining a strong geophysical, geological and operational knowledge base with expertise in Texas and Louisiana. By staying focused mainly on oil with local representation, the Company can evaluate new prospects in a competent and timely manner which is seen as a significant competitive advantage to other foreign players in the market.

Production	2010	2009	2008	2007	2006
Oil (BOE)	58,624	44,607	8,067	7,825	3,424
Gas (MMCF)	106	590	1,218	734	377
Sales Revenue (AUD\$)	5,812,483	8,366,982*	12,505,972	6,647,884	4,365,126

\*Includes revenue from discontinued operations

**3. 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. There has been no change in the principal activities from the prior period.

**4. RESULTS**

The net loss after income tax of the Consolidated Entity for the financial year ended 30 June 2010 totalled \$15,208,084 (2009: \$7,328,493).

**5. 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.

**6. CORPORATE STRUCTURE**

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

**7. EARNINGS PER SHARE**

The basic loss per share for the Company for the year 2010 was 2.58 (2009: 2.81) cents per share.

**8. EMPLOYEES**

At the end of the year, the Company had three full time employees (2009: one).

## DIRECTORS' REPORT

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### 9. SHARE OPTIONS

#### Shares issued as a result of the exercise of options

There was no exercise of options during the financial year. In the previous year, 1,000,000 ordinary fully paid shares were issued following the exercise of 1,000,000 options at 22 cents each.

#### Un-issued Shares

As at the date of the report, there were un-issued ordinary shares under option.

Number of Options		Exercise Price	Expiry Date
13,300,000	Unlisted	\$0.35	30-Oct-10
600,000	Unlisted	\$0.40	31-Aug-11
231,971,070	Listed	\$0.08	31-Aug-12
<b>245,871,070</b>			

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

### 10. REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors, executives and key management personnel of the company in accordance with the requirements of the Corporations Act 2001 and its regulations. For the purposes of this report Key Management Personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the company and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes one executive in the parent and the group receiving the highest remuneration.

The remuneration report is set out under the following main headings:

- A. Principles of compensation
- B. Service agreements
- C. Details of remuneration
- D. Share based compensation

#### A. Principles of compensation

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 believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel and directors to run and manage the consolidated entity. The key management personnel of the company are the executive and non-executive Directors, company secretary and officers of subsidiary companies. For the purposes of this report, the term 'executive' encompasses the executive directors and officers of the Consolidated Entity. The board's policy for determining the nature and amount of remuneration for board members and key management personnel of the consolidated entity is as follows:

#### Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

#### Fixed remuneration

The remuneration policy, setting the terms and conditions for the executive directors and key management personnel, was developed by the board. All key management personnel are remunerated on a consultancy basis based on services provided by each person. The board reviews key management personnel 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 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 maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting (currently \$200,000). Fees for non-executive directors are not linked to the performance of the consolidated entity.

## DIRECTORS' REPORT

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However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in employee option plans that may exist from time to time.

### Variable remuneration – short term incentive (STI)

There is currently no variable short term incentives provided to management in the form of a STI or bonus program. The board is of the opinion that the variable long term remuneration provided to directors and executives is sufficient to align the interest of management with shareholders.

### Variable remuneration – long term incentive (LTI)

Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The board as a whole agrees upon an appropriate level of remuneration incentive for each director, which then requires shareholder approval, relative to their involvement in the management of the consolidated entity. The main performance criteria of the LTI remuneration is increasing shareholder value through aligning the company with high quality exploration assets, which in turn increase share price. There are no specific performance hurdles attached to options issued to directors, however, the exercise price of options is set at a level that encourages the directors to focus on share price appreciation. The Company believes this policy will be effective in increasing shareholder wealth. On the resignation of directors, the options issued as remuneration are retained by the relevant party for a period of 21 days, following which if they are unexercised the options terminate. For details of directors and key management personnel interests in options at year end, refer note 20.

Executive remuneration is not linked to either long term or short term performance conditions. The board feels that the expiry date and exercise price of options currently on issue to the executives is sufficient to align the goals of the executives with those of the shareholders to maximise shareholder wealth, and as such, has not set any performance conditions for the executives of the Company. The board will continue to monitor this to ensure that it is appropriate for the Company in future years. Consequently, remuneration of executives is determined with reference to the operations of the Company, with emphasis on delivering value to shareholders through the acquisition and development of oil and gas projects. The net loss of the Group for the financial year 30 June 2010 after income tax amounted to \$15,208,084 (2009: \$7,328,493). The Company has continued to explore its oil and gas ventures and has aligned itself with a number of high quality exploration targets and producing assets to ensure shareholder wealth is maximised in the coming years.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to attract the highest calibre of key management personnel and reward them for performance that results in long-term growth in shareholder wealth.

The Company has no policy on executives and directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

### Company performance, shareholder wealth and directors' and executives' remuneration

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 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 subject to key performance indicators are expected to be introduced.

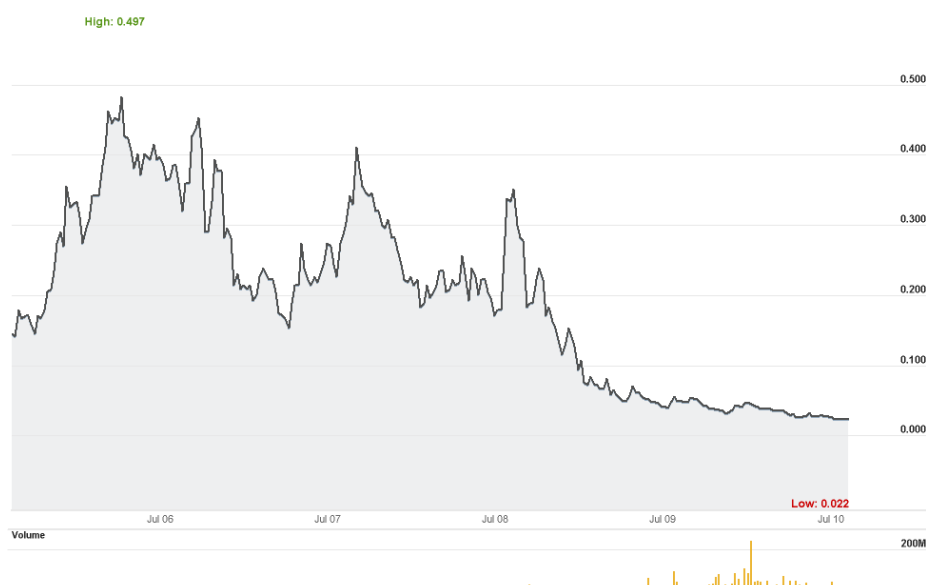
### Shareholder returns

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

	2010	2009	2008	2007	2006
Oil and Gas Sales Revenue	5,812,483	8,270,213	12,505,972	6,647,884	4,365,126
Gross operating profit before depletion	2,595,399	4,407,604	5,655,540	3,472,652	3,452,607
Basic EPS (cents)	(2.58)	(2.81)	(10.81)	(9.45)	(0.55)

## DIRECTORS' REPORT

Share price over the last 5 years



As at 30 June 2010 the closing share price was at 2.8 cents per share. 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.

### B. Service arrangements

#### *Details of key management personnel*

##### (i) Directors

Stephen Graves	- Managing Director (appointed 4 February 2008)
Sam Russotti	- Non-Executive Chairman (appointed 30 June 2003)
Frank Petruzzelli	- Non-Executive Director (appointed 30 June 2003)
Frank Brophy	- Non-Executive Director (appointed 1 November 2009)

##### (ii) Other key management personnel

Chris Bowyer	- Company Secretary (appointed 18 April 2008).
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#### *Details of executives*

Remuneration and other terms of employment for the following key management personnel are set out below:

##### **Stephen Graves, Managing Director:**

- Term of agreement – The current consulting arrangement commenced on 4 February 2008 on a monthly basis. No terminations benefits and no notice period are specified in the agreement.
- Monthly salary of US\$25,000 plus a bonus of US\$45,000 was paid (2009: US\$25,000).

##### **Sam Russotti, Non-Executive Chairman:**

- Annual non-executive fees of \$60,000 were paid (2009: \$60,000).
- Mr Russotti received no consulting fees during the year (2009: \$83,432).
- Term of agreement – Mr Russotti provides consulting services to the Company on an as required basis.
- Mr Russotti is subject to re-election as a director in accordance with the constitution.

## DIRECTORS' REPORT

**Frank Petruzzelli, Non-Executive Director:**

- Annual non-executive fees of \$60,000 were paid (2009: \$60,000).
- Term of agreement – Mr Petruzzelli provides consulting series to the Company on an as required basis.
- Mr Petruzzelli is subject to re-election as a director in accordance with the constitution.

**Frank Brophy, Non-Executive Director**

- Pro- rata annual non-executive fees of \$30,000 were paid. (2009: Nil)

**Christopher Bowyer, Company Secretary**

- Annual fees of \$35,413 were paid (2009: \$25,000).

**Retirement benefits**

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

**C. Details of Remuneration**

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 \$	Other <sup>(v)</sup> \$	Post Employment Super- annuation \$	Termin- ation Payments \$	Share- based payments Options <sup>(i)</sup> \$	Total \$	Options as % of Total
<b>Key Management Personnel – Directors and Executives</b>								
Sam Russotti, Non-Executive Chairman								
2010	55,046	-	6,688	4,954	-	-	66,688	-
2009	143,432	-	5,004	6,055	-	-	154,491	-
Stephen Graves, Managing Director <sup>(ii)</sup>								
2010	393,543	-	6,688	-	-	-	400,231	-
2009	401,053	-	5,004	-	-	307,290	713,347	43.08%
Frank Petruzzelli, Non-Executive Director								
2010	55,046	-	6,688	4,954	-	-	66,688	-
2009	59,046	-	5,004	4,954	-	-	69,004	-
Frank Brophy, Non-Executive Director								
2010	30,000	-	5,016	-	-	-	35,016	-
2009	-	-	-	-	-	-	-	-
Mark Freeman, Non-Executive Director (resigned 5 March 2009) <sup>(iii)</sup>								
2010	-	-	-	-	-	-	-	-
2009	125,334	-	2,002	-	-	-	127,336	-
Chris Bowyer, Secretary								
2010	35,413	-	6,688	-	-	-	42,101	-
2009	25,000	-	5,003	-	-	-	30,003	-
Jeffrey Copley, VP Operations <sup>(iv)</sup>								
2010	-	-	-	-	-	-	-	-
2009	146,909	-	2,002	7,932	62,961	-	219,804	-
<b>Total 2010</b>	<b>569,048</b>	<b>-</b>	<b>31,768</b>	<b>9,908</b>	<b>-</b>	<b>-</b>	<b>610,724</b>	<b>-</b>
<b>Total 2009</b>	<b>900,774</b>	<b>-</b>	<b>24,019</b>	<b>18,941</b>	<b>62,961</b>	<b>307,290</b>	<b>1,313,985</b>	<b>23.39%</b>

## DIRECTORS' REPORT

There was no performance based remuneration received during the year by directors and executives. No options were issued to Key Management Personnel during the year.

- (i) 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.
- (ii) Tigre International Inc. provided consulting services of Stephen Graves.
- (iii) Meccano Pty Ltd provided consulting services of Mark Freeman.
- (iv) Resigned as VP Operations on 13 January 2009.
- (v) Directors and officer insurance of \$31,768 (2009: \$24,019) was paid during the year this amount is reflected under short term other payments.

### D. Share based compensation

No share based options were granted or vested during the year.

Details of the share based remuneration of the directors and the key management personnel of the company are set out in the following table. The options were issued to directors in prior periods as part of their remuneration and as incentive options to increase goal convergence between directors and shareholders. The options are granted for no consideration. Options carry no dividend or voting rights.

The value at grant date is calculated in accordance with AASB 2- Share based payment. The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Binomial option pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the model.

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

No options were granted since the end of the year. No terms of equity settled share based payment transactions have been altered or modified during the year.

2010 Granted or Vested		Terms & Conditions						Vested	
Directors	No Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No Vested	%
S Graves	-	-	-	-	-	-	-	-	-
S Russotti	-	-	-	-	-	-	-	-	-
F Petruzzelli	-	-	-	-	-	-	-	-	-
F Brophy	-	-	-	-	-	-	-	-	-
C Bowyer	-	-	-	-	-	-	-	-	-

2009 Granted or Vested		Terms & Conditions						Vested	
Directors	No Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No Vested	%
S Graves	-	17/6/08	0.1029	0.35	30/10/10	17/6/08	30/10/10	2,986,301	100%
S Russotti	-	-	-	-	-	-	-	-	-
F Petruzzelli	-	-	-	-	-	-	-	-	-
M Freeman	-	-	-	-	-	-	-	-	-
J Copley	-	-	-	-	-	-	-	-	-
C Bowyer	-	-	-	-	-	-	-	-	-

**DIRECTORS' REPORT**

<b>2010 Granted or Vested</b>			
<b>Director</b>	<b>Value of options granted during the year</b>	<b>Value of options exercised during year</b>	<b>Value of options lapsed during year</b>
S Graves	-	-	-
S Russotti	-	-	-
F Petruzzelli	-	-	-
F Brophy	-	-	-
C Bowyer	-	-	-

<b>2009 Granted or Vested</b>			
<b>Director</b>	<b>Value of options granted during the year</b>	<b>Value of options exercised during year</b>	<b>Value of options lapsed during year</b>
S Graves	307,290	-	-
S Russotti	-	(10,000)	(102,000)
F Petruzzelli	-	(10,000)	(39,000)
M Freeman	-	-	-
J Copley	-	-	-
C Bowyer	-	-	-

<b>2009 Shares issued on exercise of compensation Options</b>			
<b>Director</b>	<b>Shares Issued No.</b>	<b>Paid per share \$</b>	<b>Unpaid per share \$</b>
S Russotti	500,000	0.22	-
F Petruzzelli	500,000	0.22	-
	<b>1,000,000</b>		

No options were exercised by directors or executives for shares in the Company during 2010.

There were no alterations to the terms and conditions of options granted as remuneration since grant date. There were no compensation options exercised by key management personnel during 2010.

\*\*\*End of Remuneration Report (Audited)\*\*\*

**DIRECTORS' REPORT**

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**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) **Extinguishment of convertible note debt**

On 4 August 2009 following shareholder approval, the Company issued 14,285,714 convertible notes which were to mature on 15 May 2010 and 28,571,426 convertible notes which were mature on 4 August 2010.

On 4 August 2009 following shareholder approval, the Company issued 38,888,888 convertible notes which were to mature on 4 March 2014 and were amended to enable conversion of the notes at a price of a 10% discount to 5 day VWAP.

On 13 November 2009 the Company issued 10,392,187 shares in part settlement of convertible notes. The shares were issued at a price of 3.5 cents together with a free 1 for 2 attaching options exercisable at 8 cents on or before 31 August 2012.

On 2 December 2009 the Company issued 66,085,714 shares after it had reached agreement with note holders holding 60% of the convertible notes issued on 11 March 2009. Extinguishment of those convertible notes involved the payment of \$671,400 in cash in addition to the 66,085,714 shares and 33,046,839 options. The options are exercisable at 8 cents each on or before 31 August 2012. The notes that were extinguished had been subject to a potential floating interest rate based on the oil price and production of the Bullseye prospect with a maximum interest rate of 60%.

On 15 March 2010 the Company issued 56,307,302 shares at an issue price of 3.1046 cents on the conversion of Convertible Notes. The notes that were extinguished had been subject to a potential floating interest rate based on the oil price and production of the Bullseye prospect with a maximum interest rate of 60%.

Subsequent to the conversion of the notes during the year, all liabilities associated with the notes have now been settled.

- (b) On 1 September 2009 the Company issued 40,000,000 shares at a price of 3.5 cents together with a 1 for 2 free attaching option exercisable at 8 cents on or before 31 August 2012 to raise \$1.4m (before costs). The issue of options were approved at the AGM in November 2009.
- (c) On 13 October the Company issued 185,128,519 shares at a price of 3.5 cents together with a 1 for 2 free attaching option exercisable at 8 cents on or before 31 August 2012. The 1:1.69 Rights Issue was underwritten by Novus Capital and convertible note holders to a maximum of \$5,479,499 with a placement agreement for a further \$1,000,000.
- (d) On 13 November 2009 the Company issued 14,285,714 shares to sophisticated investors through private placement to raise \$500,000. The shares were issued at a price of 3.5 cents together with a free 1 for 2 attaching option exercisable at 8 cents on or before 31 August 2012.
- (e) On 24 December 2009 the Company issued 16,000,000 shares at an issue price of 3.5 cents to raise \$560,000 to fund the cash consideration for the purchase of an additional 8% working interest in the Bullseye prospect.
- (f) On 7 January 2010 the Company issued 16,000,000 shares at an issue price of 3.5 cents as the equity consideration for the purchase of an additional 9% working interest in the Bullseye prospect.
- (g) On 29 January 2010 the Company issued 26,800,000 shares at an issue price of 3.5 cents to raise \$938,000 for use as additional working capital to fund the ongoing oil and gas development and exploration activities of the Company.
- (h) On 31 March 2010 the Company issued 59,500,000 shares at an issue price of 3.5 cents to raise \$2,082,500 for use as additional working capital to fund the ongoing oil and gas development and exploration activities of the Company.
- (m) On 20 April 2010 the Company as a result of an over-subscribed Share Placement Plan, issued 211,459,990 shares to raise \$6,555,260 for use as additional working capital to fund the ongoing oil and gas development and exploration activities of the Company.

## DIRECTORS' REPORT

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### 12. SIGNIFICANT EVENTS AFTER BALANCE DATE

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 the following:

The Company announced on 29 July 2010 that it had entered into a binding agreement with Arturus Capital Ltd (ASX: AKW) for the purchase of 100% of the assets held by Arturus through its wholly owned subsidiary Arturus Energy LLC in a producing oil and gas field plus nearby leased acreage totalling 8,806 gross acres. The Assets are located in the prolific hydrocarbon producing Permian Basin in Reagan and Irion Counties, Texas. Total reserves of the Assets are 4.1 MMBO.

The original agreement terminated as a result of the conditions precedent not being met. Both parties are continuing to negotiate in good faith to conclude the transaction on commercial terms. The Company has at this point paid a refundable deposit of US\$500,000 which will be returned in the event that further negotiations are not concluded.

On 11 August 2010 the Dugas & Leblanc #1 well at the Napoleonville Salt Dome project, of which the Company has a 15% working interest, commenced flowing oil and gas to the atmosphere. An apparent failure of the blow out preventers allowed the completion fluid to drain off the formation and oil and gas to flow to the atmosphere. The operator of the well, Mantle Oil & Gas LLC, undertook a mitigation program to kill off the well including the drilling of a relief well and on 25 August 2010 the operator reported that a new blow out preventer and wellhead had been secured on the well and that the well could be plugged and abandoned.

On 22 August 2010 the Dugas & Leblanc #2 well commenced drilling as a relief well for the Dugas & Leblanc #1 well and subsequently was drilled as a development well. The well reached TD in early September 2010 and is presently being completed with 118ft of net pay logged over three intervals.

A class action has been filed against the Operator of the Dugas & Leblanc #1 well in both the Federal and State courts (in the United States) for damages by certain residents of the area. The operator has appointed legal counsel to defend the joint venture and will report on the progress of this action as it develops and to any liability that the Company may face, if any, as a joint venture partner in the Dugas & Leblanc #1 well.

Subsequent to this event, many costs have been incurred in controlling the well and drilling a replacement well, Dugas & Leblanc #2. It is likely that most, if not all, of these costs will be covered by insurance. However, due to a number of uncertainties regarding the site clean-up cost amongst other matters and a class action being filed, the final cost of this incident is likely to be unclear for some time. As of the date of this report the Company has not been named as a defendant in any lawsuit relating to the blowout. The Company will vigorously defend any action that might be brought against it.

On 15 September 2010 the Sagers #1 well at the Napoleonville Salt Dome was spudded and is estimated to take approximately two weeks to drill. The Sagers #1 well is testing the Operc and Cris R III Sands as primary objectives with 300,000 barrels and 1.2 BCF of gas classified as a PUD. Further upside exists in secondary exploration objectives in the Marg A and Cris R I of 300,000 barrels of oil and 1.2 BCF of gas. If the well is successful initial flow rates are expected to be around the 200+ barrels of oil per day and 500 MCF per day. The Company has a 15.15% working interest and its share of drill hole and completion costs are estimated at US\$263,000 and US\$93,000 respectively.

On 28 September 2010 the Richardson #1 well at the Silverwood prospect had perforated the top 10 feet of the primary Vicksburg Sand interval and had begun flowing oil and gas to the surface. Initial daily production had been recorded at 93 barrels per day of high quality 44 gravity oil and approximately 100,000 cubic feet of gas per day. Oil sales immediately commenced with the first load transported to the nearest refinery.

### 13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 15 and forms part of the directors' report for financial year ended 30 June 2010.

**DIRECTORS' REPORT**

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**14. NON-AUDIT SERVICES**

Non-audit services provided by Ernst & Young, the auditors of the Company, during the year are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2010	2009
	\$	\$
Taxation Advice	7,210	-

**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 Bullseye, Napoleonville, Silverwood, Fausse Point and Bowtie prospects. 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. Reference is made to the disclosure of the Dugas & Leblanc #1 well control issues in the significant events after balance date Note 12 above.

**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. CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of sound corporate governance. The board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Company is in compliance with those guidelines which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

**20. PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

## DIRECTORS' REPORT

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### 21. 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 of \$31,768 (2009: \$24,017) in respect of directors' and officers' 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; and
- 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.



Frank Petruzzelli  
Director

29 September 2010

### FORWARD LOOKING STATEMENTS & COMPETENT PERSONS STATEMENT

This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Any references to dollars, cents or \$ in this report are to Australian dollar currency, unless otherwise stated.

Information in this report that relates to Hydrocarbon Reserves and or Resources is based on information compiled by Mr Mark Decker, BS (Geology). Mr Decker has over 34 years experience within the oil and gas sector.

## DIRECTORS' DECLARATION

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

In the opinion of the directors:

1. The financial statements, comprising the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and accompanying notes of the consolidated entity, are in accordance with the Corporations Act 2001; and
  - a) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - b) giving a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the consolidated entity; and
  - c) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. 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 year ended 30 June 2010.

On behalf of the board

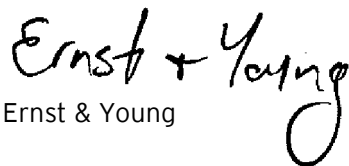


**Frank Petruzzelli**  
Director

29 September 2010  
Melbourne, Australia

## 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 2010, 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.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Peter McIver' in a cursive style.

Peter McIver  
Partner  
Perth  
29 September 2010

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		2010	2009
		\$	\$
<b>Continuing operations</b>			
Revenue from sales	2(a)	5,812,483	8,270,213
Cost of sales	2(b)	(5,480,836)	(5,617,627)
<b>Gross profit / (loss)</b>		<b>331,647</b>	<b>2,652,586</b>
Interest revenue		17,992	34,819
Loss on sale of assets	2(a)	-	(1,481,529)
Impairment of oil & gas properties	9(b)	(7,271,299)	(1,463,857)
Impairment of exploration and evaluation expenditure	8(b)	(863,903)	(5,118,826)
Administration costs	2(c)	(2,101,274)	(1,260,356)
Finance costs	2(d)	(5,101,206)	(831,752)
Loss from continuing operations before income tax		(14,988,043)	(7,468,915)
Income tax (expense) / benefit	3	(220,041)	806,838
<b>Loss from continuing operations after income tax</b>		<b>(15,208,084)</b>	<b>(6,662,077)</b>
<b>Discontinued operations</b>			
Loss from discontinued operations after income tax	6	-	(666,416)
<b>Net loss for the period</b>	14 (a)	<b>(15,208,084)</b>	<b>(7,328,493)</b>
<b>Other comprehensive income / (loss)</b>			
Foreign currency translation loss		(221,344)	(1,438,859)
Other comprehensive loss for the period net of tax		(221,344)	(1,438,859)
<b>Total comprehensive loss for the period</b>		<b>(15,429,428)</b>	<b>(8,767,352)</b>
<b>Loss per share from continuing operations</b>			
Basic loss per share (cents per share)	13	(2.58)	(2.56)
Diluted loss per share (cents per share)	13	(2.58)	(2.56)
<b>Loss per share Overall</b>			
Basic loss per share (cents per share)	13	(2.58)	(2.81)
Diluted loss per share (cents per share)	13	(2.58)	(2.81)

The above statement should be read in conjunction with the accompanying notes to these financial statements.

**STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2010**

	Notes	Consolidated	
		2010	2009
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	15(b)	7,584,416	1,381,811
Trade and other receivables	4	1,157,760	803,287
Prepayments	5	59,188	46,421
<b>Total current assets</b>		<b>8,801,364</b>	<b>2,231,519</b>
<b>Non-current assets</b>			
Trade and other receivables	4	282,960	373,179
Plant and equipment	7	46,746	66,483
Exploration and evaluation assets	8	3,754,263	2,497,328
Oil and gas properties	9	5,876,652	15,445,231
<b>Total non-current assets</b>		<b>9,960,621</b>	<b>18,382,221</b>
<b>Total assets</b>		<b>18,761,985</b>	<b>20,613,740</b>
<b>Current liabilities</b>			
Trade and other payables	10(a)	1,901,478	8,707,751
Cash call	10(b)	1,894,178	77,149
Interest bearing loans and borrowings	10(c)	-	3,000,000
Provisions	11	85,578	42,719
<b>Total current liabilities</b>		<b>3,881,234</b>	<b>11,827,619</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	10(c)	-	726,284
Derivative held for sale	10(c)	-	329,578
Provisions	11	813,528	637,189
<b>Total non-current liabilities</b>		<b>813,528</b>	<b>1,693,051</b>
<b>Total liabilities</b>		<b>4,694,762</b>	<b>13,520,670</b>
<b>Net assets</b>		<b>14,067,223</b>	<b>7,093,070</b>
<b>Equity</b>			
Contributed equity	12	86,365,141	63,877,009
Reserves		11,325	317,220
Accumulated losses	14(a)	(72,309,243)	(57,101,159)
<b>Total equity</b>		<b>14,067,223</b>	<b>7,093,070</b>

The above statement should be read in conjunction with the accompanying notes to these financial statements.

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		2010	2009
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		6,019,752	12,124,510
Receipts from JV Partners		2,719,495	-
Payments to suppliers and employees		(13,175,507)	(5,935,010)
Interest received		22,333	25,916
Interest paid		(1,252,273)	(357,907)
<b>Net cash flows from/(used in) operating activities</b>	<b>15(a)</b>	<b>(5,666,200)</b>	<b>5,857,509</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation expenditure		(884,907)	(11,945,872)
Payments for oil & gas properties		(1,126,581)	(7,202,814)
Net payment for prospects		(628,694)	-
Security deposits		-	(28,169)
Proceeds of sale of oil and gas interests		-	2,054,106
<b>Net cash flows used in investing activities</b>		<b>(2,640,182)</b>	<b>(17,122,749)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		18,015,259	6,153,500
Share issue costs		(1,046,979)	(212,337)
Repayment of borrowings		(2,353,668)	-
Proceeds from convertible notes		-	3,500,000
<b>Net cash from financing activities</b>		<b>14,614,612</b>	<b>9,441,163</b>
Net increase/(decrease) in cash and cash equivalents		6,308,230	(1,824,077)
Cash and cash equivalents at 1 July		1,381,811	2,745,198
Effect of exchange rate changes on cash and cash equivalents		(105,625)	460,690
<b>Cash and cash equivalents at 30 June</b>	<b>15(b)</b>	<b>7,584,416</b>	<b>1,381,811</b>

The above statement should be read in conjunction with the accompanying notes to these financial statements.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2010

Consolidated Entity	Issued capital	Accumulated losses	Option Premium Reserve	Foreign currency translation reserve	Convertible Notes Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
At 1 July 2009	63,877,009	(57,101,159)	3,590,862	(5,156,264)	1,882,622	7,093,070
Loss for the period		(15,208,084)				(15,208,084)
Other comprehensive loss				(221,344)		(221,344)
Total comprehensive loss for the period	-	(15,208,084)	-	(221,344)	-	(15,429,428)
Issue of share capital (net of issue costs)	22,488,132	-	-	-	-	22,488,132
Buy-back of convertible notes	-	-	-	-	(513,429)	(513,429)
Share based payments	-	-	428,878	-	-	428,878
<b>Balance at 30 June 2010</b>	<b>86,365,141</b>	<b>(72,309,243)</b>	<b>4,019,740</b>	<b>(5,377,608)</b>	<b>1,369,193</b>	<b>14,067,223</b>
At 1 July 2008	57,941,233	(49,772,666)	3,159,964	(3,717,405)	-	7,611,126
Loss for the period		(7,328,493)				(7,328,493)
Other comprehensive loss				(1,438,859)		(1,438,859)
Total comprehensive loss for the period	-	(7,328,493)	-	(1,438,859)	-	(8,767,352)
Issue of Share Capital (net of issue costs)	5,935,776	-	-	-	-	5,935,776
Issue of Convertible notes					1,882,622	1,882,622
Share based payments	-	-	430,898	-	-	430,898
<b>Balance at 30 June 2009</b>	<b>63,877,009</b>	<b>(57,101,159)</b>	<b>3,590,862</b>	<b>(5,156,264)</b>	<b>1,882,622</b>	<b>7,093,070</b>

The above statement should be read in conjunction with the accompanying notes to these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2010**

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**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 2010 was authorised for issue in accordance with a resolution of the directors on 29 September 2010. 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 566 Elizabeth Street, Melbourne, Victoria, 3000. The principal activity of Golden Gate Petroleum Ltd is the exploration and production of oil and gas, with current activities based in Texas and Louisiana 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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"). The financial report has been prepared on a historical cost basis except for derivative financial instruments, and is presented in Australian dollars.

**(b) Significant accounting policies****New accounting standards and interpretations**

From 1 July 2009 the Consolidated Entity has adopted the following standards and interpretations, mandatory for annual periods beginning on or after 1 July 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Consolidated Entity, except for the following:

*AASB 101 Presentation of Financial Statements (Revised):*

The revised standard introduces the requirement to produce a Statement of Comprehensive Income that presents all items of recognised income and expense. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements and changes in the presentation requirements for dividends. The Group has elected to apply a single statement approach.

*AASB 8 Operating Segments:*

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments. Adoption of this standard did not have any effect on the financial position or performance of the group. The Group has determined that the adoption of the new standard has resulted in revisions to its segment reporting, previously disclosed in accordance with AASB 114 Segment Reporting. Additional disclosures about each segment and the method of identification are disclosed in note 25.

*AASB 2 Share-Based Payments Revised - Vesting Conditions and Cancellations and AASB 2008-1 Amendments to Australian Accounting Standard Share-based Payments: Vesting Conditions and Cancellations:*

The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

*AASB 7 Financial Instruments: Disclosures:*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level hierarchy, by class. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 24. The liquidity risk disclosures are not significantly impacted by the amendments and are also presented in note 24.

*AASB 123 Borrowing Costs:*

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the Group has adopted the standard on a prospective basis. Therefore, borrowing cost are capitalised on qualifying assets with a commencement date on or after the 1 July 2009. The Group did not capitalise any borrowing costs in the current year. The Groups accounting policy has been amended to reflect the revised standard.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

The Consolidated Entity has not elected to early adopted any new standards or amendments.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the period ended 30 June 2010. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime; in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent.</p> <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p>	1 January 2010	1 July 2010

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	<p>This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.</p> <p>The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.</p> <p>The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p>	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	1 July 2010
AASB 9 and AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9  [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> <li>• two categories for financial assets being amortised cost or fair value;</li> <li>• removal of the requirement to separate embedded derivatives in financial assets;</li> <li>• strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows;</li> <li>• an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition;</li> <li>• reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; and</li> <li>• changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.</li> </ul>	1 January 2013	1 July 2013

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).</p>	1 January 2011	1 July 2011
AASB 2010-1	Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures for First-time	First time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	1 July 2010	1 July 2010
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	<p>Limits the scope of measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.</p> <p>Requires an entity (in a business combination) to account for the replacement of the acquiree's share based payment transactions (whether obliged or voluntarily) i.e split between consideration and post combination expenses.</p> <p>Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.</p> <p>Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.</p>	1 July 2010	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 1, AASB 7, AASB 101, AASB 134 and interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the Statement of Changes in Equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	1 January 2011

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Reference	Title	Summary	Application date of standard	Application date for Group
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	<p>This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.</p> <p>The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.</p>	1 July 2010	1 July 2010

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

**(c) Statement of compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Consolidated Entity complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

**(d) Basis of consolidation**Subsequent to 1 January 2009

The consolidated financial statements comprise the financial statements of Golden Gate Petroleum Ltd and its subsidiaries during the year ended 30 June 2010 ("the Consolidated Entity").

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another 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.

Investments in subsidiaries held by Golden Gate Petroleum Ltd are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

#### Prior to 1 January 2009

In comparison to the above mentioned requirements which were applied on a prospective basis from 1 July 2009, the following differences applied:

Non-controlling interests (formerly known as minority interests) represented the portion of profit or loss and net assets of a subsidiary that were not wholly owned by the Group and were presented separately in the consolidated Statement of Comprehensive Income and within equity in the consolidated Statement of Financial Position, separately from parent shareholders' equity. Acquisitions of non-controlling interests were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

### **(e) 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 Statement of Comprehensive Income during the financial period in which they are incurred.

#### Depreciation

Reserve 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 on a unit of production basis. The remaining assets use the diminishing value approach. The major categories of assets are depreciated as follows:

- Oil and gas properties are amortised over the useful lives of the asset on a unit of production basis once a reserve has been established.
- Motor Vehicles are depreciated based on diminishing value at 22.5%.
- Plant and equipment [drilling parts] are depreciated based on diminishing value at 25% to 40%.
- Office equipment is depreciated based on diminishing value at 25% to 40%.

Currently there are no buildings owned by the Consolidated Entity.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### 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 Statement of Comprehensive Income.

#### Derecognition

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### **(f) 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 annual impairment testing or more frequent if there is an indication of impairment. All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs, are capitalised provided the rights to tenure of the area of interest is current and either:

- The expenditure relates to an exploration discovery that, at balance date, has not reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant activities in relation to the area of interest are continuing; or
- 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. 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. The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever the facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount 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. Any impairment losses are recognised in the Statement of Comprehensive Income.

#### **(g) Impairment of non-financial 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

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 are recognised in the Statement of Comprehensive Income.

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).

#### **(h) 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(f)). Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

#### **(i) Trade and other receivables**

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. Objective evidence is defined as when the debt is more than 120 days old. This is a base case scenario, other prevailing circumstances like payment history and payment arrangements may override the 120 day rule.

#### **(j) Cash and cash equivalents**

Cash and short term deposits in the statement of financial position 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 Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, including bank overdrafts.

#### **(k) Trade and other payables**

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. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **(l) 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 Statement of Comprehensive Income 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 finance cost.

#### **(m) Employee entitlements**

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

##### *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 due 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 due to be paid when the liabilities are settled.

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2010

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.

#### **(n) Leases**

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 the Statement of Comprehensive Income.

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 Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Comprehensive Income as an integral part of the lease expense.

#### **(o) 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*

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 transfer point of ownership. The nominated transfer point has appropriate meter equipment installed. Product pricing is dependent upon product quality and delivery volumes rates, and base price marked to an appropriate commodity market benchmark.

##### *Interest*

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.

#### **(p) 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 date.

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

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2010

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

When the deferred income tax liability arises from the initial recognition of goodwill or 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 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 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 date.

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

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **(q) 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 statement of financial position. Cash flows are included in the Statement of Cash Flows 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.

#### **(r) 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.

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2010

#### (s) 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.

#### (t) Earnings per share ("EPS")

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

- costs of servicing equity (other than dividends);
- 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.

#### (u) Foreign currency translation

Both the functional and presentation currency of Golden Gate Petroleum Ltd and its Australian subsidiaries are Australian Dollars (\$). Functional currency for foreign operations has been determined based on the requirements of AASB 121 "The Effects of Changes in Foreign Exchange Rates". 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 date. 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 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 these subsidiaries are translated into the presentation currency of Golden Gate Petroleum Ltd at the rate of exchange ruling at the balance date and their Statement of Comprehensive Income items are translated at the weighted average exchange rate for the year. The exchange differences arising on the translation are taken directly to the foreign currency reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in other Comprehensive Income relating to that particular foreign operation is recognised in the Statement of Comprehensive Income.

#### (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 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 in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

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. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group or Company receives the services that entitle the employees to receive payment in equity or cash; and
- Conditions that are linked to the price of the shares of Golden Gate Petroleum Limited (market conditions).

The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due to market conditions not being met.

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2010

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the grant date fair value of the award, (ii) the extent to which the vesting period has expired and (iii) 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 Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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 13).

#### **(w) Convertible notes**

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the Statement of Financial Position, net of transaction costs. On issuance of the convertible notes, the fair value of the liability component is determined using an estimated market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. Interest on the liability component of the instruments is recognised as an expense in the Statement of Comprehensive Income. The fair value of any derivative features embedded in the convertible notes, other than the equity component, is recognised as a derivative liability. Subsequent to initial recognition, these derivative features are measured at fair value with gains and losses recognised in the Statement of Comprehensive Income.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

#### **(x) Joint controlled assets**

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 asset 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 asset.

#### **(y) Segment reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Type or class of customer for the products and services,
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

#### **(z) Comparative figures**

Where necessary, prior year comparatives have been adjusted to be consistent with the classification applied in the current year.

#### **(aa) 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 capitalised exploration and evaluation expenditure***

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable resources. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

##### ***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 note 21.

##### ***(ii) 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 1(f). 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 Statement of Comprehensive Income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 2. REVENUE, EXPENSES AND LOSSES/GAINS

	2010	2009
	\$	\$
<b>(a) Revenue</b>		
Sales revenue	5,812,483	8,270,213
<b>Other Income</b>		
Total proceeds from sale of oil & gas properties	-	2,054,106
Cost of assets disposed	-	(3,535,635)
Net gain/(loss) on sale of assets *	-	(1,481,529)
* On 17 March 2009, the Company sold an 8% working interest position in the Bullseye Prospect to IB Daiwa Corporation for US\$1.5 million. The net loss on sale is reflected above.		
<b>(b) Cost of Sales</b>		
Operating costs	1,865,257	1,640,851
Depletion	2,263,752	1,784,614
Royalties	1,351,827	2,192,162
	<b>5,480,836</b>	<b>5,617,627</b>
<b>(c) Administration Costs</b>		
Employee/Consulting Fees	586,063	502,158
Superannuation	8,670	55,352
Share based payments	-	320,223
Leave provisions	-	(19,589)
Employee benefit expense	594,733	858,144
Compliance Costs	597,072	216,167
Break Fee – Pass Petroleum	590,109	-
Insurance	30,117	12,733
Depreciation	16,699	23,346
Foreign currency translation	-	10,723
Other	272,544	139,243
	<b>2,101,274</b>	<b>1,260,356</b>
<b>(d) Finance Expense</b>		
Interest expense	1,281,635	586,420
Finance costs - Convertible note*	3,133,235	-
Fair value movement of convertible note	-	85,000
Fair value movement of embedded derivative	686,336	160,332
	<b>5,101,206</b>	<b>831,752</b>

\* During the year, the Company settled all outstanding convertible notes (refer Note 10), resulting in a loss on conversion of \$3,133,235.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 3. INCOME TAX

The major components of income tax expenses are:

	Consolidated	
	2010	2009
	\$	\$
<b>(a) Statement of Comprehensive Income</b>		
<i>Current income tax</i>		
Current income tax charge	(2,926,570)	(5,272,388)
Adjustments in respect of current income tax of previous years		
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(39,481)	3,220,950
DTA not brought to account	3,186,092	1,244,600
<b>Income tax expense / (benefit) reported in the Statement of Comprehensive Income</b>	<b>220,041</b>	<b>(806,838)</b>
<b>(b) Statement of changes in equity</b>		
<i>Deferred income tax</i>		
Convertible Note	(586,797)	(806,838)
<b>Deferred income tax recognised directly in equity</b>	<b>(586,797)</b>	<b>(806,838)</b>

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)	(14,988,043)	(7,468,915)
Prima facie tax receivable at 30% (2009:30%)	(4,496,413)	(2,240,675)
Add tax effect of:		
Non-deductible items	1,530,362	189,237
Unwind convertible note revaluation	220,041	-
DTA not brought to account	2,966,051	1,244,600
<b>Income tax expense / (benefit) on loss</b>	<b>220,041</b>	<b>(806,838)</b>

**(b) Deferred income tax**

Deferred income tax at 30 June relates to the following:

	2010		2009	
	\$		\$	
<b>Deferred tax liabilities</b>				
Deferred tax liabilities movement in the profit and loss:				
Exploration expenses	118,708		3,273,733	
Deferred tax liabilities movement in equity:				
Convertible note	586,797		806,838	
	<b>705,505</b>		<b>4,080,571</b>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
<b>Deferred tax assets</b>		
Deferred tax assets movement		
Exploration expenses:		
Provisions	158,189	52,784
Losses - Aust	577,193	368,144
Losses - US	5,504,780	4,904,243
Other	190	-
Non-recognition of deferred taxes	(5,534,847)	(1,244,600)
	<b>705,505</b>	<b>4,080,571</b>

**(c) Tax losses**

At 30 June 2010, Golden Gate Petroleum Ltd consolidated group has \$23,490,489 (including US tax losses) (2009: \$17,408,516) of tax losses that are available for offset against future taxable profits of the company. No deferred tax assets have been recognised on the Statement of financial position in respect of the amount of these losses.

	Consolidated	
	2010	2009
	\$	\$
Deferred tax assets		
Tax losses – Australian	1,955,431	1,378,238
Tax losses – US	21,535,058	16,030,278
	<b>23,490,489</b>	<b>17,408,516</b>

Golden Gate Petroleum Ltd and its 100% owned Australian subsidiaries have not formed a tax consolidated group for the year ended 30 June 2010.

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.

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2010****4. TRADE & OTHER RECEIVABLES**

	Consolidated	
	2010	2009
	\$	\$
Current		
Trade debtors <sup>1</sup>	1,033,446	493,151
Other receivables <sup>2</sup>	124,314	310,136
	<b>1,157,760</b>	<b>803,287</b>

	Consolidated	
	2010	2009
	\$	\$
Non-Current		
Security Deposits <sup>3</sup>	282,960	373,179
	<b>282,960</b>	<b>373,179</b>

Terms and conditions relating to the above financial instruments;

- 1 Trade debtors are non-interest bearing and generally on 60 day terms.
- 2 Other receivables are non-interest bearing and have repayment terms of between 30 and 90 days.
- 3 Security Deposits are interest bearing and provide security towards performance bonds provided by the consolidated entity bank to state governmental agencies against environmental obligations.

At 30 June, the ageing analysis of current trade receivables is as follows:

		Total	0 to 30	31 to 60	61 to 90	>90 Days	>90 Days
			Days	Days	Days	CI*	PDNI**
		\$	\$	\$	\$	\$	\$
2010	Consolidated	1,033,446	521,063	195,475	258,530	-	58,378
2009	Consolidated	493,151	443,219	6,624	9,865	-	33,443

\* Considered impaired ('CI')

\*\* Past due not impaired ('PDNI')

Receivables past due but not impaired are \$58,378 (2009: \$33,443).

Management has reviewed the outstanding amounts considered PDNI and are satisfied that the debts are collectable or will be netted off against future payments to the debtor from current contract entitlements.

**5. PREPAYMENTS**

	Consolidated	
	2010	2009
	\$	\$
Prepayments	59,188	46,421

The majority of the prepayment balance is in relation to insurance for the 2010 financial year. The balance as at 30 June 2009 primarily related to prepayments for insurance.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 6. INVESTMENTS IN CONTROLLED ENTITIES

	Country of Incorporation	Percentage of Equity Interest held by the consolidated entity	
		2010	2009
Investments in subsidiaries		%	%
Southdale Holdings Pty Ltd	Australia	100	100
Golden Gate Resources Ltd	Canada	100	100
GGP Exploration Ltd *	USA	-	-
GGP Management LLC *	USA	-	-
GGR Petroleum LLC	USA	100	100
Cathie Delaware, LLC	USA	100	100
Cathie Energy Texas, LLC	USA	100	100
Kindee Oil & Gas Louisiana, LLC	USA	100	100
Kindee Oil & Gas Texas, LLC	USA	100	100
Kindee Nevada Petroleum, LLC	USA	100	100
Long Flat Ltd	USA	100	100
Birdwood Louisiana LLC	USA	100	100
Yarras Texas LLC	USA	100	100

## \* Discontinued Operations

On 23 June 2009 the Company disposed of its interests in the Bethany Project. This project was held through the Company's wholly owned subsidiaries GGP Exploration Ltd and GGP Management LLC. GGP Exploration Ltd held the interest beneficially as a limited partnership. Total consideration payable under the sale agreement was US\$50,000 payable as a 5% override on future gas and oil sales. All liabilities including all plugging and abandoning costs remain with GGP Exploration Ltd and GGP Management LLC. This project contained the Syd A2 well which ceased production during the financial year and any future production was likely to be costly whilst the Company is focussing in its Louisiana projects.

## (a) Financial performance of disposed operations

	GGP Exploration Ltd	
	2010	2009
	\$	\$
Revenue	-	96,770
Expenses	-	(778,282)
Profit/(loss) before tax	-	(681,512)
Gain on disposal	-	15,096
Tax (expense)/benefit	-	-
Loss for the year from discontinued operations	-	<b>666,416</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

(b) Assets and liabilities and cash flow information of disposed entity

	Consolidated	
	2010	2009
	\$	\$
The major classes of assets and liabilities		
<b>Assets</b>		
Intangibles	-	-
Property, plant and equipment	-	-
Trade and other receivables	-	-
Cash and cash equivalents	-	-
<b>Liabilities</b>		
Trade and other payables	-	-
Interest-bearing loans and borrowings	-	-
<b>Net assets attributable to discontinued operations</b>	-	-
<b>The net cash flows are as follows:</b>		
Operating activities	-	(29,592)
Investing activities	-	-
Financing activities	-	-
<b>Net cash flow</b>	-	<b>(29,592)</b>
<b>Consideration receivable</b>		
Cash	-	62,127
Other	-	-
Total disposal consideration	-	62,127
Less net assets disposed of	-	47,031
<b>Gain/(loss) on disposal</b>	-	<b>15,096</b>
<b>Net cash inflow on disposal</b>		
Cash and cash equivalent consideration	-	<b>62,127</b>
Less cash and cash equivalents balance disposed of	-	<b>62,127</b>
<b>Reflected in the consolidated Statement of Cash Flows</b>	-	-
<b>Loss per share (cents per share)</b>		
Basic from discontinued operations	-	0.256
Diluted from discontinued operations	-	0.256

## 7. PLANT &amp; EQUIPMENT

	Consolidated	
	2010	2009
	\$	\$
Office equipment at cost	101,704	112,641
Accumulated depreciation	(54,958)	(46,158)
<b>Total office equipment</b>	<b>46,746</b>	<b>66,483</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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

	Consolidated	
	2010	2009
	\$	\$
<b>Office Equipment at Cost</b>		
Balance at start of year	66,483	76,049
Additions	3,718	16,097
Reclassification of assets	(3,871)	-
Disposal	(2,885)	(4,317)
Depreciation	(16,699)	(23,346)
<b>Balance at end of year</b>	<b>46,746</b>	<b>66,483</b>

## 8. EXPLORATION AND EVALUATION ASSETS

## a) Expenditure carried forward in respect of hydrocarbon areas of interest

	Consolidated	
	2010	2009
	\$	\$
Exploration and evaluation - at cost	3,754,263	2,497,328

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:

	Consolidated	
	2010	2009
	\$	\$
Carrying amount at beginning of period	2,497,328	10,261,654
Movement in carrying value as a result of foreign currency variations	(108,916)	2,754,888
Additions	2,229,754	850,038
Transferred to production	-	(5,584,010)
Sale of interests	-	-
Impairment of discontinued operations	-	(666,416)
Impairment expense*	(863,903)	(5,118,826)
<b>Carrying amount at end of period</b>	<b>3,754,263</b>	<b>2,497,328</b>

\* Allowance for impairment expense in 2010 write off incurred with respect to the drilling and prospect costs of Folse #5 and Padre Island Exploration assets. Allowance for impairment expense in 2009 writes off incurred with respect to LGS, Noel, Samstown, Manzano #1, Plum and Bethany. The write offs were as a result of lack of exploration success and the directors ongoing analysis of the economic viability of projects.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 9. OIL AND GAS PROPERTIES

## a) Oil and Gas Properties carried forward

	Consolidated	
	2010	2009
	\$	\$
Oil and Gas Production – at cost	10,642,064	17,946,891
Accumulated amortisation	(4,765,412)	(2,501,660)
	<b>5,876,652</b>	<b>15,445,231</b>

## b) Reconciliation:

	Consolidated	
	2010	2009
	\$	\$
Carrying amount at beginning of period	15,445,231	912,694
Transferred from Exploration	-	5,584,010
Movement in carrying value as a result of foreign currency variations	(1,160,109)	(912,458)
Additions	1,126,581	16,645,091
Sale of asset – historical cost	-	(3,535,635)
Impairment expense	(7,271,299)	(1,463,857)
Amortisation	(2,263,752)	(1,784,614)
<b>Carrying amount at end of period</b>	<b>5,876,652</b>	<b>15,445,231</b>

The recoverable amount of the development assets were based on their value in use. The carrying amounts of the development assets were determined to be higher than their recoverable amounts and an impairment cost of \$7,271,299 (2009: \$1,463,857) was recognised.

Value in use was determined by modelling management's estimate of the future discounted cash flows that could be generated from on-going development and use of the assets. The values calculated from the model were used as a guide to assist the management in determining the recoverable value of development assets. The model was based on the following key assumptions:

- a discount rate of 16.5%
- no increase in oil or gas prices from existing prices
- Jumonville well(s) perform in a similar fashion in the Camerina interval to that which they operated in the Miogyp interval
- production from Camerina interval based on conservative levels
- future drilling at Jumonville meets with success

The above assumptions have been applied by management based on an assessment of historical operating performance to date, forecast information obtained from the production engineer and approved by the Managing Director.

*Sensitivity to changes in assumptions*

With regard to the assessment of the value in use of the development assets, reasonable possible changes in key assumptions could cause the carrying value of the assets to exceed its recoverable amount. At 30 June 2010, the actual recoverable amount of the assets agrees to its carrying value. Should future drilling at Jumonville not meet with success, the recoverable value of the assets may be reduced to less than its carrying value.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 10. FINANCIAL LIABILITIES

## a) Trade creditors

	Consolidated	
	2010	2009
	\$	\$
<b>Current</b>		
Trade creditors <sup>1</sup>	1,668,215	3,507,665
Other creditors <sup>2</sup>	233,263	5,200,086
Payments received in advance from JV partners <sup>3</sup>	1,894,178	-
	<b>3,795,656</b>	<b>8,707,751</b>

Aggregate amount payable to related parties included in the above:

Directors and director related entities:

- director related entity <sup>4</sup> 42,539 43,618

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) Payments received in advance from JV partners are non-interest bearing.
- 4) Amounts relate to consulting fees owing at year end and are payable within 30 days.

## b) Cash call

	Consolidated	
	2010	2009
	\$	\$
Amounts received in advance from joint venture partners	1,894,178	77,149

## c) Interest bearing loans and borrowings

	Consolidated	
	2010	2009
	\$	\$
<b>Current</b>		
Convertible Notes – current portion <sup>5</sup>	-	3,000,000
<b>Non-Current</b>		
Convertible Note 2 <sup>6</sup>	-	726,284
	-	726,284
Derivative Liability on Convertible Note <sup>6</sup>	-	329,578
	-	<b>1,055,862</b>

*Terms and conditions of Convertible Notes*

5) Carried at amortised cost. In May 2009 the Company and Convertible Note holders rolled over convertible notes with a face value of \$3,000,000 the rollover was not confirmed until shareholder approval was received on 1 August 2009. Accordingly \$2,000,000 of the convertible notes could have been classified as non-current liabilities, however, the accounting standards required this liability to be classified as current in the 2009 accounts. The coupon rate was 15% pa, payable quarterly in arrears with \$1,000,000 of the principal repayable on 15 May 2010 and the remainder 1 August 2010. The notes converted on a 1:1 basis at 10% below the 5 day VWAP and were secured against the Company's producing wells

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2010

on Padre Island as at 15 May 2007. The Company entered into underwriting and shareholder subscription agreements to repay \$2,850,000 of the \$3,000,000 principal as part of the non-renounceable rights issue which closed in October 2009. Following the completion of the fund raising \$2,850,000 of the amount was repaid.

6) On 4 March 2009 the Company executed agreements to issue 38,888,888 convertible notes with a face value of 9 cents each to raise \$3,500,000 before expenses. The coupon rate was 1.25% per month, payable quarterly in arrears. The coupon rate could have been increased to a capped rate of 5% per month in the event of an increase in the oil price or an increase in oil production from the Bullseye project. This was the embedded derivative component of the convertible note and was highlighted through the following terms of the convertible note agreement as summarised below:

- 15% per annum; or
- a monthly interest rate based on a formula involving the average monthly New York Mercantile Exchange closing price for light, sweet crude and the daily oil production from any new wells within the Bullseye Project (ie. excludes production from existing producing Bullseye wells), provided that the rate shall not be greater than 60% per annum (5% per month).

The embedded derivative was required to be measured at fair value at balance date which equated to the \$329,578 disclosed above. The movement of the fair value of the embedded derivative from date of issue to balance date and the movement between the remaining balance dates over the 5 year life of the convertible note were required to be reflected in the profit and loss. For the previous financial period the movement was \$160,332. The principal on the convertible note is repayable 5 years from drawdown and may be redeemed by the Company at any time for the face value plus a discounted value of future interest payments at 20% over the remaining life of the notes. On 8 December 2009 the notes converted at 10% below the 5 day VWAP and the notes were secured against future production from the Bullseye project. In accordance with IFRS the Company was required to reflect the equity component of the 38,888,888 Convertible Notes valued using the binomial option valuation at \$2,689,460 per the convertible note reserve in the Statement of Changes in Equity.

Accordingly a debt component of \$641,284 was reflected as a liability on inception of the notes and a fair value adjustment of \$85,000 during the previous year was recorded to bring the total debt liability to \$726,284 as at 30 June 2009.

Subsequent to the conversion of the notes during the year, all liabilities associated with the notes have now been settled. On settlement of the notes, \$3,819,571 in finance costs were recognised for the 2010 financial year. Of this total, \$686,336 related to movements in the fair value of the notes during the year recognised in the Statement of Comprehensive Income.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 11. PROVISIONS

	Consolidated	
	2010	2009
	\$	\$
<b>Current</b>		
Employee benefits	926	240
Other provisions	84,652	42,479
	<b>85,578</b>	<b>42,719</b>
<b>Non-Current</b>		
Restoration costs	813,528	637,189
	<b>813,528</b>	<b>637,189</b>
<b>(a) Restoration</b>		
Carrying amount at beginning of period	637,189	549,694
Additional provision	214,668	96,013
Provision cleared due to sale of interests	-	(114,877)
FX movement on provision	(38,329)	106,359
Amounts utilised during the year	-	-
<b>Carrying amount at end of period</b>	<b>813,528</b>	<b>637,189</b>

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.

## 12. CONTRIBUTED EQUITY

## (a) Issued and paid up share capital

	Consolidated	
	2010	2009
	\$	\$
Ordinary shares fully paid	86,365,141	63,877,009

## 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. No dividends were declared during the current year or the prior year.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## (b) Movements in ordinary shares

	2010		2009	
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning of the year	272,867,197	63,877,009	243,234,160	57,941,233
Exercise of options	-	-	1,000,000	220,000
Conversion of convertible notes	130,070,917	4,924,852	-	-
Equity issues not for cash	17,000,000	595,000	-	-
Equity issues during the year for cash	555,888,509	18,015,259	28,633,037	5,933,500
Less: transaction costs	-	(1,046,979)	-	(217,724)
<b>Balance at the end of the year</b>	<b>975,826,623</b>	<b>86,365,141</b>	<b>272,867,197</b>	<b>63,877,009</b>

## 13. LOSS PER SHARE

## Basic loss per share

The calculation of basic loss per share for the year ended 30 June 2010 was based on the loss attributable to ordinary shareholders of \$15,208,084 (2009: \$7,328,493) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2010 of 590,559,746 (2009: 260,008,089), calculated as follows:

	Consolidated	Consolidated
	2010	2009
	\$	\$
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 July	272,867,197	243,234,160
Effect of shares issued during the period	317,692,549	16,773,929
Weighted average number of ordinary shares at 30 June	590,559,746	260,008,089
Loss attributable to ordinary shareholders	(15,208,084)	(7,328,493)
<b>Loss per share (cents) overall</b>	<b>(2.58)</b>	<b>(2.81)</b>
Loss attributable to ordinary shareholders from continuing operations	(15,208,084)	(6,662,077)
<b>Loss per share (cents) from continuing operations</b>	<b>(2.58)</b>	<b>(2.56)</b>

Potential ordinary shares are not considered dilutive and accordingly diluted earnings per share is the same as basic earnings per share. Total number of anti-dilutive options which could be dilutive in the future was 245,871,070 as at 30 June 2010 (2009: 23,450,000).

There were no events that occurred subsequent to year end which have a significant effect on the number of shares or potential ordinary shares on issue.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 14. ACCUMULATED LOSSES AND RESERVES

## (a) Accumulated losses

	Consolidated	
	2010	2009
	\$	\$
Balance at beginning of year	(57,101,159)	(49,772,666)
Net losses attributable to members of Golden Gate Petroleum Ltd	(15,208,084)	(7,328,493)
<b>Balance at end of year</b>	<b>(72,309,243)</b>	<b>(57,101,159)</b>

## (b) Share option premium reserve

## (i) Nature and purpose of reserve

The share option premium reserve is used to record the issue price received in respect of options (other than incentive options) issued over ordinary shares.

## (ii) Movements in reserve

	Consolidated	
	2010	2009
	\$	\$
Balance at the beginning of the year	-	480,000
Transfer to option premium reserve	-	(480,000)
<b>Balance at end of the year</b>	<b>-</b>	<b>-</b>

## (c) 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

	Consolidated	
	2010	2009
	\$	\$
Balance at the beginning of the year	3,590,862	2,679,964
Share option premium reserve	-	480,000
Issue of Options	428,878	430,898
<b>Balance at end of the year</b>	<b>4,019,740</b>	<b>3,590,862</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

*(iii) Movements in Options on issue*

2010	Number	Exercise Price	Expiry Date
<b>Unlisted Options</b>			
Balance at the beginning of the year	23,450,000		
Options forfeited	(4,300,000)	\$0.35	30-Oct-10
Options expired	(3,250,000)	\$0.54	31-Dec-09
Options expired	(2,000,000)	\$0.25	30-Jun-10
<b>Total Unlisted Options at the end of the year</b>	<b>13,900,000</b>		
<b>Listed Options</b>			
Balance at the beginning of the year	-		
Issue of option	231,971,070	\$0.08	31-Aug-12
<b>Total listed options at the end of the year</b>	<b>231,971,070</b>		

2009	Number	Exercise Price	Expiry Date
<b>Unlisted Options</b>			
Balance at the beginning of the year	32,740,997		
Options expired	(5,190,997)	\$0.35	31-Jul-08
Options expired	(200,000)	\$0.33	19-Aug-08
Issue of Options	600,000	\$0.40	31-Aug-11
Options exercised	(1,000,000)	\$0.22	01-Dec-08
Options expired	(1,000,000)	\$0.33	01-Dec-08
Options expired	(2,500,000)	\$0.22	01-Dec-08
<b>Total Unlisted Options at the end of the year</b>	<b>23,450,000</b>		
<b>Listed Options</b>			
Balance at the beginning of the year	-		
Issue of option	-	-	-
<b>Total listed options at the end of the year</b>	<b>-</b>		

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2010****14. ACCUMULATED LOSSES AND RESERVES (continued)****(d) Foreign Currency Translation Reserve***(i) Nature and purpose of reserve*

The foreign currency reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*(ii) Movements in reserve*

	Consolidated	
	2010 \$	2009 \$
Balance at the beginning of the year	(5,156,264)	(3,717,405)
Currency translation differences	(221,344)	(1,438,859)
<b>Balance at end of the year</b>	<b>(5,377,608)</b>	<b>(5,156,264)</b>

**(e) Convertible Note Reserve***(i) Nature and purpose of reserve*

These convertible notes have the ability to convert to ordinary shares and in accordance with the accounting standards the equity component is required to be calculated and included in shareholders' equity. (Refer to note 10(c))

*(ii) Movements in reserve*

	Consolidated	
	2010 \$	2009 \$
Balance at the beginning of the year	1,882,622	-
Convertible notes issued(net of tax)	(513,429)	1,882,622
<b>Balance at end of the year</b>	<b>1,369,193</b>	<b>1,882,622</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 15. STATEMENT OF CASH FLOWS

## (a) Reconciliation of the net loss after tax to the net cash flows from operations

	Consolidated	
	2010 \$	2009 \$
<b>Net loss after tax for the period</b>	<b>(15,208,084)</b>	<b>(7,328,493)</b>
<b>Add/(less) non-cash items:</b>		
Foreign currency translation	-	9,600
Allowance for impairment of discontinued exploration assets	-	666,416
Allowance for impairment in exploration expenditure	863,746	5,118,826
Allowance for impairment in development assets	7,271,299	1,463,857
Amortisation of production assets	2,263,752	1,784,318
Employee share option expense	-	320,223
Net loss/(gain) on sale of non-current assets	-	1,481,529
Derivative interest expense	-	245,332
Finance options expensed	-	65,222
Convertible note extinguishment	3,819,571	-
Depreciation	16,699	23,346
Deferred Tax Liabilities	-	(806,838)
Net cash (used in)/ from operating activities before change in assets and liabilities	<b>(973,017)</b>	<b>3,043,338</b>
Decrease/(increase) in receivables	(354,473)	1,386,486
Decrease/(increase) in other assets	90,219	(86,527)
Decrease/(increase) in prepayments	(12,767)	1,195,936
Increase/(decrease) in provisions	219,198	-
Increase/(decrease) in prepaid JV receipts	1,807,029	-
Increase/(Decrease) in payables	(6,442,389)	318,276
<b>Net cash flow from / (used in) operating activities</b>	<b>(5,666,200)</b>	<b>5,857,509</b>

## (b) Reconciliation of cash and cash equivalents

<b>Cash balance comprises:</b>		
<b>Cash at bank</b>	<b>7,584,416</b>	<b>1,381,811</b>

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2010****16. INTEREST IN JOINTLY CONTROLLED ASSETS**

At 30 June 2010 the Consolidated Entity was a participant in the following jointly controlled assets:

	Consolidated	
	2010	2009
	Working Interest %	Working Interest %
<b>Producing Wells</b>		
Jumonville #1	42.25%	33.25%
Jumonville #2	42.25%	33.25%
<b>Louisiana Prospects</b>		
Fausse Point	18.00%	-
Napoleonville	15.00%	-
Silverwood	30.00%	-
<b>Texas Prospects</b>		
Bowtie Project	18.00%	20.00%

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 costs of \$3,754,263 (2009: \$2,497,328) and production costs of \$5,876,652 (2009: \$15,445,231) represent principally the Consolidated entity's share of development and exploration joint ventures, the material interests of which are noted above. There are no contingent liabilities or commitments relating to the joint ventures.

**17. COMMITMENTS****Leases as lessee**

Non cancellable operating lease rental are payable as follows:

	Consolidated	
	2010	2009
	\$	\$
Less than one year	31,390	31,046
Between one and five years	39,238	-
More than five years	-	-
	<b>70,628</b>	<b>31,046</b>

The Consolidated entity entered into a 24 month lease agreement which expires on 31 August 2012. There are no exploration commitments.

**18. CONTINGENT LIABILITIES**

There are no significant contingent liabilities for the Company and controlled entities. Refer to Note 22 for details of a potential future contingent liability.

**19. AUDITORS' REMUNERATION**

Amounts received or due and receivable by Ernst & Young for:

	Consolidated	
	2010	2009
	\$	\$
An audit or review of the financial report of the company	97,730	90,000
Taxation Advice	7,210	-
	<b>104,940</b>	<b>90,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

### 20. KEY MANAGEMENT PERSONNEL

#### (i) Directors and Executives

S Graves	- Managing Director (appointed 4 February 2008)
S Russotti	- Non-Executive Chairman (appointed 30 June 2003)
F Petruzzelli	- Non-Executive Director (appointed 30 June 2003)
F Brophy	- Non- Executive Director (appointed 1 November 2009)
C Bowyer	- Company Secretary (appointed 18 April 2008)

	Consolidated	
	2010 \$	2009 \$
<b>DISCLOSURES</b>		
Short term	600,816	924,793
Post-employment	9,908	18,941
Termination benefits	-	62,961
Share-based payment	-	307,290
	<b>610,724</b>	<b>1,313,985</b>

#### (a) Shares issued on exercise of remuneration options

No remuneration options were exercised in 2010 financial year.

During the previous financial year Mr S Russotti and Mr F Petruzzelli exercised 500,000 options each exercisable at 22 cents per share.

#### (b) 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.

2010	Held at 1 July 2009	Granted	Expired/ Forfeiture	Exercised/ Sold	Other Changes *	Held at 30 June 2010	Exercisable / Vested
<b>Key Management Personnel</b>							
Mr S Graves	5,000,000	-	-	-	489,021	5,489,021	5,489,021
Mr F Petruzzelli	2,500,000	-	(500,000)	-	379,149	2,379,149	2,379,149
Mr S Russotti	5,000,000	-	(1,000,000)	-	198,753	4,198,753	4,198,753
Mr F Brophy	-	-	-	-	-	-	-
Mr C Bowyer	-	-	-	-	-	-	-
<b>Total</b>	<b>12,500,000</b>	<b>-</b>	<b>(1,500,000)</b>	<b>-</b>	<b>1,066,923</b>	<b>12,066,923</b>	<b>12,066,923</b>

\* During the year Messrs Graves, Petruzzelli and Russotti participated in the rights issues undertaken by the Company. The increase in option holdings is as a result of the free attaching options issued to new ordinary shares purchased on the same terms and conditions available to all shareholders.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2009	Held at 1 July 2008	Granted	Expired/ Forfeiture	Exercised/ Sold	Other Changes	Held at 30 June 2009	Exercisable / Vested
<b>Key Management Personnel</b>							
Mr S Graves	5,000,000	-	-	-	-	5,000,000	5,000,000
Mr F Petruzzelli	3,800,000	-	(300,000)	(500,000)	-	2,500,000	2,500,000
Mr S Russotti	8,400,000	-	(2,900,000)	(500,000)	-	5,000,000	5,000,000
Mr J Copley *	4,000,000	-	-	-	(4,000,000)	-	-
Mr M Freeman *	2,950,000	-	-	-	(950,000)	2,000,000	2,000,000
Mr C Bowyer	-	-	-	-	-	-	-
<b>Total</b>	<b>23,650,000</b>	<b>-</b>	<b>(3,200,000)</b>	<b>(1,000,000)</b>	<b>(4,950,000)</b>	<b>14,500,000</b>	<b>14,500,000</b>

\* Messrs Copley and Mr Freeman resigned as directors of the Company 7 April 2008 and 5 March 2009 respectively.

**(b) 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:

2010	Held at 1 July 2009	On Exercise of Options	Other changes *	Held at 30 June 2010
<b>Key Management Personnel</b>				
M S Graves	1,652,888	-	1,149,654	2,802,542
Mr F Petruzzelli	1,281,520	-	1,089,854	2,371,374
Mr S Russotti (1)	671,782	-	397,505	1,069,287
Mr F Brophy	-	-	-	-
Mr C Bowyer	-	-	-	-
<b>Total</b>	<b>3,606,190</b>	<b>-</b>	<b>2,637,013</b>	<b>6,243,203</b>

\* During the year Messrs Graves, Petruzzelli and Russotti participated in the rights uses undertaken by the Company. The increase in ordinary shareholdings is as a result of their purchase of new ordinary shares on the same terms and conditions available to all shareholders.

2009	Held at 1 July 2008	On Exercise of Options	Other changes	Held at 30 June 2009
<b>Key Management Personnel</b>				
M S Graves	1,652,888	-	-	1,652,888
Mr F Petruzzelli	781,520	500,000	-	1,281,520
Mr S Russotti (1)	171,782	500,000	-	671,782
Mr M Freeman **	231,731	-	(231,731)	-
Mr J Copley **	250,000	-	(250,000)	-
Mr C Bowyer	-	-	-	-
<b>Total</b>	<b>3,087,921</b>	<b>1,000,000</b>	<b>(481,731)</b>	<b>3,606,190</b>

(1) Mr Russotti holds 100,582 (2009: 100,582) shares on trust for other non related parties.

\*\* Messrs Copley and Freeman resigned as directors of the Company on 7 April 2008 and 5 March 2009 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

### (d) 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	2010 \$	2009 \$
<b>Specified Directors &amp; Executives</b>			
Mr F Petruzzelli	(i)	79,177	31,250
Mr M Freeman	(ii)	-	56,427

- (i) MDB Taxation and Business Advisors Pty Ltd, of which Mr F Petruzzelli is a principal, provided company secretarial services of Chris Bowyer and reimbursement of director related travel costs. MDB was owed \$19,886 at year end (2009: \$Nil).
- (ii) Meccano Pty Ltd, of which Mr M Freeman is a director, provided accounting services and a serviced registered office. Meccano was owed \$40,597 at year end 30 June 2009.

## 21. SHARE BASED PAYMENTS

### (a) Recognised share based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

	Consolidated	
	2010 \$	2009 \$
Expense arising from equity settled share based payment transactions	-	320,223

### (b) Details of Options granted and vested during the year ended 30 June 2010

During the year the Company did not issue any incentive options to directors, executives and consultants. No options vested during the year.

### Details of Options granted and vested during the year ended 30 June 2009

During the year the Company issued incentive options to directors as detailed in the table below.

Holders	Number of options granted during 2009	Grant date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Number of options vested during 2009
<b>Directors</b>						
Mr S Graves*	-	17/06/08	0.1029	0.35	30/10/10	2,986,301
Mr S Russotti	-	-	-	-	-	-
Mr M Freeman	-	-	-	-	-	-
Mr F Petruzzelli	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	<b>2,986,301</b>

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2010****Valuation of Options****\* Options issued to Mr S. Graves & Consultants**

The options have been valued using the Binomial options valuation methodology by the Company's independent external advisers, Stanton Partners, and based upon the following assumptions:

- Options expire 30 October 2010 and are exercisable at 35 cents;
- The date of valuation is the closing price on 12 March 2008, being 25 cents per share;
- The current Risk free interest rate (Treasury Bond Rate) of 6.75%;
- Volatility factor of 75% (expected volatility is estimated by considering historical average share price volatility); and
- Based on the above assumptions the value of the options are 10.29 cents each.

**(c) Summaries of Options Granted**

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options issued during the year:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	23,450,000	0.37	32,740,997	0.35
Granted during the year	231,971,070	0.08	600,000	0.40
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(1,000,000)	0.22
Expired during the year	(9,550,000)	0.40	(8,890,997)	0.25
<b>Outstanding at the end of the year</b>	<b>245,871,070</b>	<b>0.10</b>	<b>23,450,000</b>	<b>0.37</b>
<b>Exercisable at the end of the year</b>	<b>245,871,070</b>	<b>0.10</b>	<b>23,450,000</b>	<b>0.37</b>

The outstanding balances as at 30 June 2010 are represented by:

- 13,300,000 unlisted options over ordinary shares with an exercise price of \$0.35 each, exercisable on or before 30 October 2010
- 600,000 unlisted options over ordinary shares with an exercise price of \$0.40 each, exercisable on or before 31 August 2011
- 231,971,070 listed options over ordinary shares with an exercise price of \$0.08 each, exercisable on or before 31 August 2012

**(c) Weighted average remaining contractual life**

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 1.69 years (2009: 0.93 years).

**(d) Range of exercise price**

The range of exercise prices for options outstanding at the end of the year was \$0.08 – 0.40 (2009: \$0.25 - \$0.54). As the range of exercise is wide, refer to section (c) above for further information in assessing the number and timing of additional shares that may be issued and the cash that may be received upon exercise of the those options.

**(e) Weighted average fair value**

The weighted average fair value of options granted or vested during the year was \$0.1029 (2009: \$0.1012).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

### 22. 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:

The Company announced on 29 July 2010 that it had entered into a binding agreement with Arturus Capital Ltd (ASX: AKW) for the purchase of 100% of the assets held by Arturus through its wholly owned subsidiary Arturus Energy LLC in a producing oil and gas field plus nearby leased acreage totalling 8,806 gross acres. The Assets are located in the prolific hydrocarbon producing Permian Basin in Reagan and Irion Counties, Texas. Total reserves of the Assets are 4.1 MMBO.

The original agreement terminated as a result of the conditions precedent not being met. Both parties are continuing to negotiate in good faith to conclude the transaction on commercial terms. The Company has at this point paid a refundable deposit of US\$500,000 which will be returned in the event that further negotiations are not concluded.

On 11 August 2010 the Dugas & Leblanc #1 well at the Napoleonville Salt Dome project, of which the Company has a 15% working interest, commenced flowing oil and gas to the atmosphere. An apparent failure of the blow out preventers allowed the completion fluid to drain off the formation and oil and gas to flow to the atmosphere. The operator of the well, Mantle Oil & Gas LLC, undertook a mitigation program to kill off the well including the drilling of a relief well.

On 25 August 2010 the operator reported that a new blow out preventer and wellhead had been secured on the well and that the well could be plugged and abandoned. At the date of this report it is the Company's best estimate that all of the costs will most likely be covered by the Operator's and the Company's insurance. The well is presently under control and is being assess for either re-completion or plugging and abandonment.

On 22 August 2010 the Dugas & Leblanc #2 commenced drilling as a relief well for the Dugas & Leblanc #1 well and subsequently was drilled as a development well. The well reached TD in early September 2010 and is presently being completed with 118ft of net pay logged over three intervals.

A class action has been filed against the Operator of the Dugas & Leblanc #1 well in both the Federal and State court for damages by certain residents of the area. The operator has appointed legal counsel to defend the joint venture and will report on the progress of this action as it develops and to any liability that the Company may face, if any, as a joint venture partner in the Dugas & Leblanc #1 well.

Subsequent to this event, many costs have been incurred in controlling the well and drilling a replacement well, Dugas & Leblanc #2. It is likely that most, if not all, of these costs will be covered by insurance. However, due to a number of uncertainties regarding the site clean-up cost amongst other matters and a class action being filed, the final cost of this incident is likely to be unclear for some time. As of the date of this report the Company has not been named as a defendant in any lawsuit relating to the blowout. The Company will vigorously defend any action that might be brought against it.

On 15 September 2010 the Sagers #1 well at the Napoleonville Salt Dome was spudded and is estimated to each TD by the end of the September. The Sagers #1 well is testing the Operc and Cris R III Sands as primary objectives with 300,000 barrels and 1.2 BCF of gas classified as a PUD. Further upside exists in secondary exploration objectives in the Marg A and Cris R I of 300,000 barrels of oil and 1.2 BCF of gas. If the well is successful initial flow rates are expected to be around the 200+ barrels of oil per day and 500 MCF per day.

The Company's has a 15.15% working interest and its share of drill hole and completion costs are estimated at US\$263,000 and US\$93,000 respectively.

On 27 September 2010 the Richardson #1 well at the Silverwood prospect had perforated the top 10 feet of the primary Vicksburg Sand interval and had begun flowing oil and gas to the surface. Initial daily production had been recorded at 93 barrels per day of high quality 44 gravity oil and approximately 100,000 cubic feet of gas per day. Oil sales immediately commenced with the first load transported to the nearest refinery.

## NOTES TO THE FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 30 JUNE 2010

### 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise cash and convertible notes. 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 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) Interest rate risk

##### *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 or bear fixed interest rates (the convertible notes). The Consolidated Entity currently does not engage in any hedging or derivative transactions to manage interest rate risk.

#### b) Foreign currency risk

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

Due to the nature of the Group's and parent's principal operations being oil & gas exploration and production the Group and the parent is exposed to the fluctuations in the price of oil & gas.

Although the Group and parent entity is economically exposed to commodity price risk of the abovementioned inputs, this is not a recognised market risk under the accounting standards as the risk is embedded within normal purchase and sales and are therefore not financial instruments.

#### (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.

#### (f) 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 24. FINANCIAL INSTRUMENTS

## a. Interest rate risk

*Interest rate risk exposures*

The Consolidated Entity's 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	Fixed Interest Rate \$	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>2010</b>					
<b>Financial assets</b>					
Cash assets *	0.5%	-	7,584,416	-	7,584,416
Trade and other receivables – current *	-	-	-	1,157,760	1,157,760
Security deposits **	1.5%	-	282,960	-	282,960
		-	<b>7,867,376</b>	<b>1,157,760</b>	<b>9,025,136</b>
<b>Financial liabilities</b>					
Trade and other payables*	-	-	-	1,901,478	1,901,478
	-	-	-	<b>1,901,478</b>	<b>1,901,478</b>

\* Maturing in 1 year or less

\*\* Maturing in 1 year or more

Consolidated	Weighted Average Interest rate	Fixed Interest Rate \$	Floating Interest Rate \$	Non-Interest Bearing \$	Total \$
<b>2009</b>					
<b>Financial assets</b>					
Cash assets *	0.5%	-	1,381,811	-	1,381,811
Trade and other receivables - current *	-	-	-	802,865	802,865
Security deposits **	1.5%	-	373,179	-	373,179
		-	<b>1,754,990</b>	<b>802,865</b>	<b>2,557,855</b>
<b>Financial Liabilities</b>					
Trade and other payables*	-	-	-	8,432,183	8,432,183
Convertible notes **	10%	3,000,000	-	-	3,000,000
Convertible notes **	15-40%	-	1,055,862	-	1,055,862
		<b>3,000,000</b>	<b>1,055,862</b>	<b>8,432,183</b>	<b>12,488,045</b>

\* Maturing in 1 year or less

\*\* Maturing in 1 year or more

**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2010****Sensitivity Analysis****a. Interest rate risk**

The table below details the interest rate sensitivity analyses of the entity at the reporting date, holding all other variables constant. A 50 basis point favourable (+) and unfavourable (-) change is deemed to be possible change and is used when reporting interest rate risk.

Consolidated	Sensitivity*	Effect On:		Effect On:	
		Profit 2010	Other Comprehensive Income 2010	Profit 2009	Other Comprehensive Income 2009
Risk Variable					
Interest Rate	+ 50 b.p.	39,337	39,337	55,261	55,261
	- 50 b.p.	(39,337)	(39,337)	(55,261)	(55,261)

**b. Foreign currency risk**

There are no material foreign exchange denominated financial assets or liabilities.

**c. 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 statement of financial position 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.

**d. Liquidity risk and Capital Management**

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity objectives when managing capital are to safeguard the Consolidated Entity ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. Capital is defined as total equity and borrowings, as disclosed in the Statement of Financial Position. In order to maintain or adjust the capital structure, the Consolidated Entity may return capital to shareholders, issue new shares or sell assets to reduce debt. The Consolidated Entity's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio. The gearing ratio is defined as external borrowings to total equity.

There were no changes in the Consolidated Entity's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

The following are the contractual maturities of financial liabilities:

Consolidated 30 June 2010						
	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	1,901,478	1,901,478	1,901,478	-	-	-
Loan and other borrowings **	-	-	-	-	-	-
	1,901,478	1,901,478	1,901,478	-	-	-

30 June 2009						
	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	3,507,665	3,507,665	3,507,665	-	-	-
Trade and other payables*	5,200,086	5,200,086	1,950,000	1,950,000	1,950,000	-
Loan and other borrowings **	4,055,862	9,575,000	-	-	3,150,000	6,125,000
	12,763,613	18,282,751	5,457,665	1,950,000	5,400,000	6,125,000

\*Payment terms agreed with suppliers

\*\* refer to note 10

#### e. Fair values

##### *Methods and assumptions used in determining net fair value*

For financial assets and liabilities, the fair value approximates their carrying value. Accounts receivable, accounts payable, cash and cash equivalents approximates fair value due to their short term nature. Intercompany loans approximates fair value due to being payable on demand. The Company has no financial assets where carrying amounts exceed net fair values at balance date.

## 25. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal management reporting that is reviewed and used by the executive management team (the chief operating decision makers ("CODM")) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the business and the similarity of products produced and sold, and risks associated with the geographical market, as these are the sources of the Group's major risks and have the most effect on the rates of return.

The Company operates in the field of oil and gas exploration and development, all of which are conducted in the USA and viewed by the CODM as a whole. This has been identified as the single reportable segment of the consolidated entity. The consolidated entity has operations in Australia which does not qualify as a reportable segment as activities in Australia consist of the corporate and some administrative functions which have not been allocated to a reportable segment.

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.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Corporate costs
- Corporate employee and Director remuneration costs
- Interest income and expenses
- Income tax expenses

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2010

(a) Reconciliation of segment revenue to the Statement of Comprehensive Income:

	Consolidated	
	2010	2009
	\$	\$
Total segment revenue	5,820,925	8,297,198
Unallocated interest income	9,550	7,834
<b>Total revenue</b>	<b>5,830,475</b>	<b>8,305,032</b>

Segment net operating profit before tax reconciliation to the Statement of Comprehensive Income:

	Consolidated	
	2010	2009
	\$	\$
Segment net operating profit before tax	(9,886,837)	(6,637,163)
Corporate charges	-	-
Net gain on disposal of corporate assets	-	-
Finance costs	(5,101,206)	(831,752)
<b>Total net operating loss before tax per the Statement of Comprehensive Income</b>	<b>(14,988,043)</b>	<b>(7,468,915)</b>

(b) Segment assets reconciliation to the Statement of Financial Position:

	Consolidated	
	2010	2009
	\$	\$
Segment operating assets	18,507,848	20,423,546
Corporate assets	254,137	190,194
<b>Total assets per the Statement of Financial Position</b>	<b>18,761,985</b>	<b>20,613,740</b>

(c) Segment liabilities reconciliation to the Statement of Financial Position:

	Consolidated	
	2010	2009
	\$	\$
Segment operating liabilities	3,755,656	9,114,718
Income tax payable	-	-
Employee leave provisions (Corporate employees)	-	-
Other provisions	939,106	679,668
Convertible notes	-	3,726,284
<b>Total liabilities per the Statement of Financial Position</b>	<b>4,694,762</b>	<b>13,520,670</b>

(d) Other information

The Consolidated Entity produces oil and gas to customers located in the North American market. The Group has a number of customers to which it provides oil and gas produced. Key clients include Texon LP and Crosstex Energy Inc. which represent 100% of external revenue (2009: 100%).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

## 26. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2010, the parent entity of the Group was Golden Gate Petroleum Limited.

	Parent	
	2010	2009
	\$	\$
<b>Result of the parent entity</b>		
Loss of the parent entity	(15,429,427)	(8,767,353)
Total comprehensive income of the parent entity	(15,429,427)	(8,767,353)
<b>Financial position of the parent entity at year end</b>		
Current assets	254,023	188,069
Total assets	14,215,105	11,549,197
Current liabilities	147,882	3,400,265
Total liabilities	147,882	4,456,127
Contributed Equity	86,365,140	63,877,009
Retained earnings	(77,686,850)	(62,257,423)
Option premium reserve	4,019,740	3,590,862
Convertible note reserve	1,369,193	1,882,622
<b>Total shareholders equity</b>	<b>14,067,223</b>	<b>7,093,070</b>

Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries

- -

Details of any contingent liabilities of the parent entity

- -

Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment

- -

## Independent auditor's report to the members of Golden Gate Petroleum Limited

### Report on the Financial Report

We have audited the accompanying financial report of Golden Gate Petroleum Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have met the independence requirements of 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's Opinion

In our opinion:

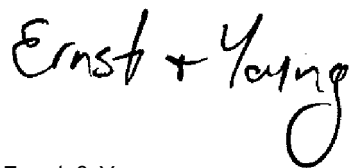
1. the financial report of Golden Gate Petroleum Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Golden Gate Petroleum Limited and the consolidated entity at 30 June 2010 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 9 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's Opinion

In our opinion the Remuneration Report of Golden Gate Petroleum Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Peter McIver'.

Peter McIver  
Partner  
Perth  
29 September 2010

**THE CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS**

**1. OVERVIEW**

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2<sup>nd</sup> Edition) to ensure that these remain relevant to the Australian business and investment communities. These revised Principles and Recommendations reflect the contributions of more than 100 public submissions and took effect from 1 January 2008.

The ASX Corporate Governance Council’s Recommendations are not mandatory and cannot, in themselves, prevent corporate failure or poor corporate decision-making. They are intended to provide a reference point for companies about their corporate governance structures and practices. There is no single model of good corporate governance. The document articulates eight core principles along with various recommendations to assist in meeting these.

The ASX Corporate Governance Council encourages companies to use the guidance provided by this document as a focus for re-examining their corporate governance practices and to determine whether and to what extent the company may benefit from a change in approach, having regard to the company’s particular circumstances. There is little value in a checklist approach to corporate governance that does not focus on the particular needs, strengths and weaknesses of the company. The ASX Corporate Governance Council recognises that the range in size and diversity of companies is significant and that smaller companies from the outset may face particular issues in following the Recommendations.

The Recommendations are not prescriptions, they are guidelines, designed to produce an outcome that is effective and of high quality and integrity. This document does not require a “one size fits all” approach to corporate governance. Instead, it states suggestions for practices designed to optimise corporate performance and accountability in the interests of shareholders and the broader economy. If a company considers that any of the Recommendations are inappropriate to its particular circumstances, it has the flexibility not to adopt it - a flexibility tempered by the requirement to explain why – the “if not, why not” approach.

The Company’s Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council’s Principles and Recommendations (2nd Edition).

Further information on the Company’s corporate governance policies is located on the website: [www.ggpl.com.au](http://www.ggpl.com.au)

	Recommendation	Comply Yes / No	Reference
1.1	Formalise and disclose the functions reserved to the Board and those delegated to management.	Yes	Page 64
1.2	Disclose the process for evaluation the performance of senior executives	Yes	Page 64
2.1	A majority of the Board should be independent directors.	Yes	Page 65
2.2	The chairperson should be an independent director.	Yes	Page 65
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 65
2.4	The Board should establish a nomination committee.	No	Page 66
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	Yes	Page 66
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: the practices necessary to maintain confidence in the Company's integrity; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Page 66
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	Yes	Page 66
4.1	The Board should establish an audit committee.	No	Page 67
4.2	Structure the audit committee so that it consists of: only non-executive directors; a majority of independent directors; an independent chairperson, who is not chairperson of the Board; at least three members.	No	Page 67
4.3	The audit committee should have a formal charter.	No	Page 67

	<b>Recommendation</b>	<b>Comply Yes / No</b>	<b>Reference</b>
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Yes	Page 68
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Page 69
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 69
7.2	The Board should require management to design and implement the risk management, and internal control system the company's material business risks and report to it on whether these risks are being managed effectively. The board should disclose that management has reported to it is as to the effectiveness of the company's management of its material business risks.	Yes	Page 69
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Page 70
8.1	The Board should establish a remuneration committee.	No	Page 70
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 70

**2. PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

**2.1 Companies should establish and disclose the respective roles and responsibilities of board and management.**

**Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

**Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.

**Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

**2.2 The Company's practice:**

The Board sets its primary responsibility as the protection and enhancement of long term shareholder value. The Board is also responsible for setting the strategic direction and establishing and overseeing the policies and financial position of the Company, and monitoring the business on behalf of its shareholders, by whom the Directors are elected and to whom they are accountable.

Further, the Board takes specific responsibility for:-

- the appointment and removal of the Managing Director and the Company Secretary,
- the final approval of management's development of corporate strategies and performance objectives,
- the review and modification of internal controls with respect to internal and legal compliance and its code of conduct,
- monitoring and evaluating senior management's performance and the implementation of The Company's corporate strategies and objectives,
- ensuring that appropriate resources are available to achieve strategic objectives,
- the appointment of Directors to the Board and ensuring those Directors receive a letter of appointment identifying their duties and specific responsibilities, the Company's expectations of them, their remuneration and their obligations with respect to advising the Company of any compliance matters.

The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board.

### 3. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

**Recommendation 2.1:** A majority of the board should be independent directors.

**Recommendation 2.2:** The chair should be an independent director.

**Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.

**Recommendation 2.4:** The board should establish a nomination committee.

**Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

**Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

#### 3.1 The Company's practice:

##### ***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.

The Board presently comprises a non-executive Chairman, a Managing Director and two non-executive directors. Under the independence guidelines in the Recommendations, only Mr Petruzzelli, a non-executive director, would be considered independent as he is not currently involved or previously been involved in the management of the Company. The company however also believes that the chairman Mr Russotti having stepped down from an executive role provides an independent perspective. Mr Russotti's retirement from an executive position also ensures that the role of chairman and managing director is no longer held by the same individual.

##### ***Composition***

The directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives. Please refer to the Directors report to view the expertise of each director. The term in office held by each director in office at the date of this report is as follows:

Name	Position	Term in Office
Mr S Russotti	Chairman	6 Years
Mr S Graves	Managing Director	3 Years
Mr F Petruzzelli	Non-executive Director	6 Years
Mr F Brophy	Non-Executive Director	11 months

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

##### ***Education***

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations 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.

### ***Nomination committee***

The Company does not currently 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.

### ***Monitoring of Board Performance***

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members. The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year.

## **4. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

Companies should actively promote ethical and responsible decision-making.

**Recommendation 3.1:** Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- the practices necessary to maintain confidence in the company's integrity
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices

**Recommendation 3.2:** Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

**Recommendation 3.3:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

### **4.1 The Company's practice:**

#### ***Ethical Standards***

The Company has a formal Code of Conduct as per Recommendation 4.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. 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 Company.

#### ***Directors Dealings in Company Shares***

The Company has a securities trading policy in place that applies to its directors, employees and contractors. The trading policy prohibits directors, employees and contractors from dealing in shares of the Company whilst in possession of price sensitive information. 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.

The policy requires directors to notify the Board and employees to notify the Managing Director in advance of any transactions involving the Company's securities. In addition, directors must notify the Australian Securities Exchange of any acquisition or disposal of shares by lodgement of a Notice of Director's Interests.

### ***Conflicts 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 exist the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

## **5. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

**Recommendation 4.1:** The board should establish an audit committee.

**Recommendation 4.2:** The audit committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not chair of the board; and
- has at least three members.

**Recommendation 4.3:** The audit committee should have a formal charter.

**Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

### **5.1. The Company's practice:**

#### ***Audit Committee***

The Board has not established a separate audit committee. This function is performed by the role of the full board.

The processes the Board applies in performing this function include:-

- reviewing internal control and recommending enhancements,
- monitoring compliance with Corporations Act 2001, Stock Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions,
- improving the quality of the accounting function,
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management,
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner, and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

#### ***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 regularly 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.

The Board assumes 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, consisting of members with financial expertise and detailed knowledge and experience of the oil and gas 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 Company. The Managing Director and the Financial

Controller declared in writing to the Board that the Company's financial reports for the year ended 30 June 2010 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.

### 6. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

**Recommendation 5.1:** Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

**Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

#### 6.1. The Company's practice:

##### *Continuous Disclosure Policy*

The Company has a formal Continuous Disclosure and Information Policy as required by Recommendation 5.1. This policy was introduced to ensure The Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules.

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 co-ordinating 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 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 Managing Director. Other directors, officers and employees of the Company will not disclose any information to the media without express permission from the Managing Director.

### 7. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

**Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

**Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

### The Company's practice:

#### *Shareholder Communication*

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to shareholders through:

- the Annual Report which is distributed to all shareholders,
- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on The Company's website,
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate, and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

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. Important issues are presented to the shareholders as single resolutions. The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting. The Company's policy on shareholder communication can be found on the website.

## 8. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

### 8.1. Companies should establish a sound system of risk oversight and management and internal control.

**Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

**Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

**Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

**Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

### 8.2. The Company's practice:

#### *Recognise and Manage Risk*

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter. The Board has no formal policy in place to recognise and manage risk as required by Recommendation 7.1, as it considers, in the context of the size and nature of the Company, that it would not improve the present modus operandi.

## **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 Company'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 Company 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 Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Managing Director and Financial Controller 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 Company.

### ***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 Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

## **9. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **9.1. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.**

**Recommendation 8.1:** The board should establish a remuneration committee.

**Recommendation 8.2:** Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

**Recommendation 8.3:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

### **9.2. The Company's practice:**

#### ***Remuneration committee***

The Company does not currently 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, 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 the Remuneration Report of the Annual Report. 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.

## **GOLDEN GATE PETROLEUM LTD | ADDITIONAL SHAREHOLDER INFORMATION**

### **AS AT 7 SEPTEMBER 2010**

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#### **Stock Exchange Listing**

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

#### **Substantial Shareholders (Holding not less than 5%)**

As at 7 September 2010 there are no substantial shareholders.

#### **Class of Shares and Voting Rights**

At 7 September 2010 there were 5,160 holders of 975,826,623 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 them, or in respect of which they are appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares, 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
<b>1 – 1,000</b>	<b>258</b>
<b>1,001 – 5,000</b>	<b>365</b>
<b>5,001 – 10,000</b>	<b>262</b>
<b>10,001 – 100,000</b>	<b>2,369</b>
<b>100,001 and over</b>	<b>1,906</b>
<b>Total</b>	<b>5,160</b>

The number of shareholders holding less than a marketable parcel is 1,358.

#### **Cash Usage**

Since the time of listing on ASX, the entity has used its cash resources 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.

**GOLDEN GATE PETROLEUM LTD | ADDITIONAL SHAREHOLDER INFORMATION**  
**AS AT 7 SEPTEMBER 2010**

**Listing of 20 Largest Shareholders**

	<b>Name of Ordinary Shareholder</b>	<b>Number of Shares Held</b>	<b>Percentage of Shares Held</b>
1.	ABN Amro Clearing Sydney Nominees Pty Ltd	17,328,314	1.78%
2.	HSBC Custody Nominees (Australia) Limited	8,303,074	0.85%
3.	Merrill Lynch (Australia) Nominees Pty Ltd	7,184,376	0.74%
4.	Patrick James O'Mara	6,550,000	0.67%
5.	Alimond Pty Ltd	6,000,000	0.61%
6.	Lee-Sands Nominees Pty Ltd	6,000,000	0.61%
7.	Four P Investment Company Pty Ltd < Four P Investment Account>	5,181,557	0.53%
8.	Mr Michael Wehbe	4,926,119	0.50%
9.	Mr Philip Saxton Talbot & Mrs Gloria Jean Talbot <Trident Super Fund A/C>	4,876,000	0.50%
10.	Najava Pty Ltd <Macintosh Super Fund A/C>	4,461,931	0.46%
11.	Be Copymart Pty Ltd <B & E McConnell S/F A/C>	4,050,000	0.42%
12.	Mr Mathew Mark Sabato	4,000,000	0.41%
13.	Ganeshaya Pty Ltd	3,825,000	0.39%
14.	Dr Andrew Lennox	3,750,000	0.38%
15.	Dr Kim Russell Sawyer & Mrs Kessda Sawyer <Sawyer Pension Fund A/C>	3,531,557	0.36%
16.	P & W Verhoef <Verhoef Staff P/F A/C>	3,500,000	0.36%
17.	Swetha International Pty Ltd	3,431,557	0.35%
18.	Etrade Australia Nominees Pty Ltd	3,264,941	0.33%
19.	Greatside Holdings Pty Ltd	3,154,557	0.32%
20.	S V Australia Pty Ltd	3,131,557	0.32%

**Listing of 20 largest listed Option holders**

	<b>Name of Option holder</b>	<b>Number of Options Held</b>	<b>Percentage of Options Held</b>
1.	HSBC Custody Nominees (Australia) Limited	24,461,720	10.55%
2.	ABN Amro Clearing Sydney Nominees Pty Ltd	10,164,286	4.38%
3.	Beira Pty Ltd	7,489,350	3.23%
4.	Be Copymart Pty Ltd <B& E McConnell S/F A/C>	6,500,000	2.8%
5.	Mr Michael Wehbe	5,000,000	2.16%
6.	Mr Timothy Ronald Knight & Mrs Valmay Joy Knight	4,792,547	2.07%
7.	Mrs Rebekah Suzzane Grauaug	4,030,897	1.74%
8.	Mr Stephen William King	4,000,000	1.72%
9.	Mr David John Mills	4,000,000	1.72%
10.	Andrew Yen-Ju Lin	3,330,000	1.44%
11.	Mr Michael Joseph Zygmunt & Mrs Alicia Zygmunt <M & A Zygmunt Super Account>	3,000,000	1.29%
12.	Mr Michael Joseph Zygmunt <M & A Zygmunt Family A/C>	3,000,000	1.29%
13.	Mr Geoffrey Edmund Holmand & Mrs Susan Lynn Holman	2,750,000	1.19%
14.	Mr Adrian John Exton	2,400,000	1.03%
15.	Huama Holdings Pty Ltd	2,200,000	0.95%
16.	Skellea Limited	2,170,900	0.94%
17.	AUS Retail Pty Ltd	2,000,000	0.86%
18.	Roger Barker Concepts Pty Ltd	2,000,000	0.86%
19.	M & M Family Pty Ltd	2,000,000	0.86%
20.	Ericsson Enterprises Pty Ltd	2,000,000	0.86%

**GOLDEN GATE PETROLEUM LTD | ADDITIONAL SHAREHOLDER INFORMATION**  
**AS AT 7 SEPTEMBER 2010**

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**Unquoted Options**

<b>Options</b>	<b>Number</b>	<b>Number of Holders Holdings more than 20%</b>	<b>Name of Holders</b>	<b>Number Held</b>
Options exercisable at \$0.35 on or before 30 October 2010	13,300,000	2	S Graves S Russotti	5,000,000 4,000,000
Options exercisable at \$0.40 on or before 31 August 2011.	600,000	1	Skye Equity Pty Ltd	600,000

**Tenement Summary**

<b>Tenement</b>	<b>Working Interest</b>
<b>Producing Wells</b>	
Jumonville #1	42.25%
Jumonville #2	42.25%
<b>Louisiana Prospects</b>	
Fausse Point	18.00%
Napoleonville	15.00%
Silverwood	30.00%
<b>Texas Prospects</b>	
Bowtie	18.00%