

GOLDEN GATE PETROLEUM LTD

ABN 34 090 074 785

and controlled entities

Financial Report
30 June 2011

CORPORATE DIRECTORY

DIRECTORS

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

SECRETARY

Chris Bowyer

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AUSTRALIAN SECURITIES EXCHANGE CODES

GGP (Ordinary Shares)
GGPO (Listed Options)

CONTENTS

PAGE NUMBER

DIRECTORS' REPORT	1
DIRECTORS' DECLARATION	12
AUDITOR'S INDEPENDENCE DECLARATION	13
STATEMENT OF COMPREHENSIVE INCOME	14
STATEMENT OF FINANCIAL POSITION	15
STATEMENT OF CASH FLOWS	16
STATEMENT OF CHANGES IN EQUITY	17
NOTES TO THE FINANCIAL STATEMENTS	18
INDEPENDENT AUDITOR'S REPORT	54
CORPORATE GOVERNANCE STATEMENT	56

DIRECTORS' REPORT

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 2011.

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 (Executive Chairman)

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 Ltd. 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 twenty three 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 three years, Mr Graves 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 three years, Mr Petruzzelli has served as a director for Solimar Energy Ltd, an ASX listed company.

Frank Brophy (Non-Executive Director)

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 Empyrean Energy PLC.

Sam Russotti, BSc (Non-Executive Chairman) – resigned 31 January 2011

Mr Russotti is a geologist with more than 30 years' experience in the petroleum industry. He had been a director of the Company since May 2001, after ten years as General Manager and Finance Manager of Cults Petroleum. Previously, he was Planning Manager for Peko Oil Ltd from 1987 – 1990. During the past three years, Mr Russotti has not served as a director on any other listed companies.

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 & Co., 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	4,563,051	1,249,530	-	31-Aug-2012	\$0.08
Frank Petruzzelli	4,285,651	1,093,426	-	31-Aug-2012	\$0.08
Frank Brophy	-	2,000,000	-	31-Aug-2012	\$0.08

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
Stephen Graves	7	7
Frank Petruzzelli	7	7
Frank Brophy	6	7
Sam Russotti	4	4

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 exploration and commencing its diversification into the long term development of low risk oil and gas production programs with the acquisition of the leaseholds of 8,806 acres in the Permian Basin in Texas.

The Company currently has 6 active projects. Bullseye and Napoleonville are in commercial production. The Permian Basin, Fausse Point, and North Edna (Silverwood) are in various stages of development and Bowtie West has been delayed.

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

	WI	Completion	Status
Louisiana			
Dugas & Leblanc #2	15%	11-Nov-2010	Idled
Dugas & Leblanc #3	15%	30-May-2011	On Production
Sagers #1	15%	28-Sep-2010	Dry Hole – Plugged
Clifton Lands #1	15%	20-Oct-2010	Dry Hole – Plugged
Richardson #1	30%	28-Sep-2010	Went on Production, uncommercial as at 30 June 2011.
TGR Lands #1	18%	14-Sep-2010	Idled

The consolidated net loss for the economic entity for the year ended 30 June 2011 was \$7,256,120 (2010: \$15,208,084).

The major contributor to this result was the impairment write-downs on its exploration and development assets totalling \$5,961,206 (2010: 8,135,202).

The Company's share of oil production decreased from 58,624 BBL to 21,839 BBL. The decrease in oil production was as a result of the Jumonville #1 and Jumonville #2 wells incurring significant decline rates during the year. The new Richardson #1 well and the Dugas & Leblanc #2 well contributed a total of 3,377 BBL's for the year although both wells were shut in by year end. Gas production decreased from 106 mmcf to 40 mmcf due to the decline in production at both Jumonville wells.

During the year the Company raised a total of \$3,688,384 in cash to assist with the working capital requirements of its exploration program and with the acquisition of the Permian Basin leaseholds (cash portion). Shares to the value of \$2,949,000 were also issued to fund the acquisition of the Permian Basin leaseholds (equity portion) and the additional 12% working interest in the Bullseye prospect.

In order to expedite the progress on the Permian Basin development in June 2011 the Company issued convertible notes to the value of \$1,510,000.

The Company has a 15% working interest in the Dugas & Leblanc #1 well. This well suffered a blowout on 11 August 2010. The Company carries insurance in excess of the projected total outlay for the Company's share of the cost of the blowout.

DIRECTORS' REPORT

Strategy and investments for future performance

The Company is continuing to seek out high potential value and reasonable cost opportunities onshore in the Gulf Coast states and in the Permian Basin, 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, Fausse Point and Napoleonville prospects, 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 acquisition of the Permian Basin leaseholds enables the Company to develop a balanced portfolio of development and exploration projects. The Company will modify its working interest in projects in order to suit the predetermined criteria set by the board.

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.

Dynamics of the business

Continued high oil prices and the partial 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	2011	2010	2009	2008	2007
Oil (BOE)	21,839	58,624	44,607	8,067	7,825
Gas (MMCF)	40	106	590	1,218	734
Sales Revenue (AUD\$)	2,698,372	5,812,483	8,366,982*	12,505,972	6,647,884

*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 Gulf Coast region of 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 2011 totalled \$7,256,120 (2010: \$15,208,084).

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 2011 was 0.61 (2010: 2.58) cents per share.

DIRECTORS' REPORT

8. EMPLOYEES

At the end of the year, the Company had three full time employees (2010: three).

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, there was no exercise of options.

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
541,336,396	Listed	\$0.08	31-Aug-12

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 the parent entity. 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 director 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. 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.

DIRECTORS' REPORT

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 2011 after income tax amounted to \$7,256,120 (2010: \$15,208,084). 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.

	2011	2010	2009	2008	2007
Product Sales Revenue	2,698,372	5,812,483	8,270,213	12,505,972	6,647,884
Net loss attributable to members of Golden Gate Petroleum Ltd	7,256,120	15,208,084	7,328,493	23,962,999	14,852,232
Basic EPS (cents)	(0.61)	(2.58)	(2.81)	(10.81)	(9.45)

DIRECTORS' REPORT

Share price over the last 5 years



As at 30 June 2011 the closing share price was at 1.1 cents per share. The decline in share price 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	- Executive Chairman (appointed as a director on 4 February 2008, Executive Chairman on 31 January 2011)
Sam Russotti	- Non-Executive Chairman (appointed 30 June 2003, resigned 31 January 2011)
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).
Chris Ritchie	- Financial Controller (appointed 12 July 2010)

Details of executives

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

Stephen Graves, Executive Chairman:

- The current consulting arrangement commenced on 4 February 2008 on a monthly basis. No terminations benefits and no notice period are specified.
- Monthly salary of US\$40,000 was paid (2010: US\$25,000 per month plus a US\$45,000 bonus).

Sam Russotti, Non-Executive Chairman (resigned 31 January 2011):

- Pro-rata annual non-executive fees of \$35,000 were paid (2009: \$60,000).
- Mr Russotti was paid or payable a consulting fee of \$4,166 during the year (2010: Nil).
- Term of agreement – Mr Russotti provides consulting services to the Company on an as required basis.
- Mr Russotti resigned on 31 January 2011.

Frank Petruzzelli, Non-Executive Director:

- Annual non-executive fees of \$60,000 were paid or payable (2010: \$60,000).
- MDB & Co of which Mr. Petruzzelli is a principal was paid or payable a consulting fee of \$65,000 per annum. (2010: Nil)
- Mr. Petruzzelli provides consulting services to the Company on an as required basis.
- Mr. Petruzzelli is subject to re-election as a director in accordance with the constitution.

DIRECTORS' REPORT

Frank Brophy, Non-Executive Director

- Annual non-executive fees of \$45,000 were paid or payable. (2010:\$30,000)
- Mr. Brophy is subject to re-election as a director in accordance with the constitution.

Christopher Bowyer, Company Secretary

- Annual fees of \$64,166 were paid or payable (2010: \$35,413).

Chris Ritchie, Financial Controller

- Annual fees of \$150,000 were paid or payable (2010: Nil)

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 \$	Post Employment Super- annuation \$	Termin- ation Payments \$	Share-based payments Options ⁽ⁱ⁾ \$	Total \$	Options as % of Total
Key Management Personnel – Directors and Executives								
Sam Russotti, Non-Executive Chairman								
2011	36,276	-	-	2,890	-	-	39,166	-
2010	55,046	-	-	4,954	-	-	60,000	-
Stephen Graves, Executive Chairman ⁽ⁱⁱⁱ⁾								
2011	487,012	-	-	-	-	-	487,012	-
2010	393,543	-	-	-	-	-	393,543	-
Frank Petruzzelli, Non-Executive Director ⁽ⁱⁱⁱ⁾								
2011	124,587	-	-	413	-	-	125,000	-
2010	55,046	-	-	4,954	-	-	60,000	-
Frank Brophy, Non-Executive Director								
2011	45,000	-	-	-	-	10,000	55,000	18.2%
2010	30,000	-	-	-	-	-	30,000	-
Chris Bowyer, Secretary ⁽ⁱⁱⁱ⁾								
2011	64,166	-	-	-	-	-	64,166	-
2010	35,413	-	-	-	-	-	35,413	-
Chris Ritchie, Financial Controller ⁽ⁱⁱⁱ⁾								
2011	150,000	4,674	-	-	-	-	154,674	-
2010	-	-	-	-	-	-	-	-
Total 2011	907,041	4,674	-	3,303	-	10,000	925,018	1.1%
Total 2010	569,048	-	-	9,908	-	-	578,956	-

There was no performance based remuneration received during the year by directors and executives. Options were issued to key management personnel as noted in the table above during the year.

DIRECTORS' REPORT

- (i) Options issued were not subject to performance conditions. The options are exercisable at a premium to the share price when issued, 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) MDB & Co provided the consulting services of Frank Petruzzelli, Chris Bowyer and Chris Ritchie.

D. Share based compensation

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 a director as part of his 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 ASX market price for the Company's listed options on the date the options were granted. The Fair value per option at grant date was \$0.005.

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.

2011 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	2,000,000	18-Nov-10	\$10,000	\$0.08	31-Aug-11	18-Nov-10	31-Aug-11	2,000,000	100%
C Bowyer	-	-	-	-	-	-	-	-	-
C Ritchie	-	-	-	-	-	-	-	-	-

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	-	-	-	-	-	-	-	-	-

2011 Granted or Vested			
Director	Value of options granted during the year	Value of options exercised during year	Value of options lapsed during year
S Graves	-	-	-
S Russotti	-	-	-
F Petruzzelli	-	-	-
F Brophy	10,000	-	-
C Bowyer	-	-	-
C Ritchie	-	-	-

DIRECTORS' REPORT

No options were granted or vested to directors or key management personnel during 2010.

No options were exercised by directors or executives for shares in the Company during 2010 or 2011.

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 or 2011.

End of Remuneration Report (Audited)

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:

On 5 November 2010 the Company undertook a private placement with professional and sophisticated investors which raised \$1,096,000 (before costs) upon the issue of 91,333,332 shares at \$0.012.

On 31 December 2010 the Company issued 13,000,000 shares as settlement for the acquisition of a further 12% working interest in the Bullseye prospect.

On 31 January 2011, Mr Sam Russotti resigned as Chairman of the Company and Mr Steve Graves was appointed Executive Chairman.

On 25 February 2011 the Company undertook a fully underwritten 1:5 Entitlement issue. This raised a total of \$2,592,383 (before costs) upon the issue of 216,031,991 shares at \$0.012.

On 3 March 2011 the Company completed the acquisition of the leasehold of 8,806 acres in the Permian Basin in Texas, USA. As part of the consideration for this acquisition the Company issued 196,000,000 shares to the vendor and/or its nominees, and paid the balance of the cash portion of the acquisition, \$2,222,841.

On 28 June 2011, the Company concluded agreements with professional and sophisticated investors to subscribe for convertible notes to the value of \$1,510,000. These notes have a face value of \$0.05 but convert at the lower of 85% of the previous 10 day volume weighted average price of the Company's shares or \$0.05. The coupon rate is 11% per annum payable quarterly and the principal is repayable on 30 June 2013.

On 30 June 2011, the Company acquired the rights to a 20.6% working interest (after paying 25% before casing point) in the first two wells of the Huth sand interval at the Bullseye prospect.

12. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 19 July 2011, the Dugas & Leblanc #3 well was placed on production at a rate of 1,500 mcf/d in the 10ft "Stray B" on a 10/64th inch choke. Subsequently the production rate was increased to over 4,000 mcf/d on a 16/64th inch choke with additional oil production of 30 – 35 barrels per day.

On 11 August 2011, the Company announced that a two well drilling program at the Permian Basin was expected to commence in September 2011. A drilling rig had been contracted to drill both wells back to back, the lessor had given consent to drill on the leasehold, the Company had hired an experienced Permian Basin drilling manager and planning had commenced on a 10 well drilling program.

On 13 September 2011, shareholders at a general meeting of the Company ratified the issue of 30,200,000 convertible notes and the proposed issue of shares to professional investors to raise up to \$2,500,000.

As at 29 September 2011, convertible notes to the value of \$220,000 had been converted by note holders into ordinary shares in the Company.

DIRECTORS' REPORT

13. AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 13 and forms part of the directors' report for financial year ended 30 June 2011.

14. NON-AUDIT SERVICES

Non-audit services provided by 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 previous year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

	2011	2010
	\$	\$
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 Permian Basin, Bullseye, Napoleonville, North Edna (Silverwood), Fausse Point, Padre Island 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.

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.

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.

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 \$29,794 (2010: \$31,768) in respect of directors' and officers' liability and legal expenses insurance contracts, for current directors and officers of the Company.

DIRECTORS' REPORT

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

30 September 2011

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 35 years experience within the oil and gas sector.

DIRECTORS' DECLARATION

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 2011 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 2011.

On behalf of the board



Frank Petruzzelli
Director

30 September 2011
Melbourne, Australia

DECLARATION OF INDEPENDENCE BY NICHOLAS BURNE TO THE DIRECTORS OF GOLDEN GATE PETROLEUM LTD

As lead auditor of Golden Gate Petroleum Ltd for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Golden Gate Petroleum Ltd and the entities it controlled during the period.



Nicholas Burne

Director

BDO Audit (NSW-VIC) Pty Ltd

Melbourne, 30 September 2011

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated	
		2011	2010
		\$	\$
Continuing operations			
Revenue from sales	2(a)	2,698,372	5,812,483
Cost of sales	2(b)	(2,015,653)	(4,977,149)
Gross profit / (loss)		682,719	835,334
Interest revenue		23,472	17,992
Gain on sale of assets		650	-
Impairment in investments		(52,482)	-
Impairment of oil & gas properties	9(b)	(4,067,328)	(7,271,299)
Impairment of exploration and evaluation expenditure	8(b)	(1,893,878)	(863,903)
Administration costs	2(c)	(1,898,223)	(2,604,961)
Foreign exchange loss		(360)	-
Finance costs	2(d)	(50,690)	(5,101,206)
Loss before income tax		(7,256,120)	(14,988,043)
Income tax (expense) / benefit	3	-	(220,041)
Net loss for the period		(7,256,120)	(15,208,084)
Other comprehensive income / (loss)			
Foreign currency translation loss		(2,492,936)	(221,344)
Other comprehensive loss for the period net of tax		(2,492,936)	(221,344)
Total comprehensive loss for the period		(9,749,056)	(15,429,428)
Loss per share			
Basic loss per share (cents per share)	13	(0.61)	(2.58)
Diluted loss per share (cents per share)	13	(0.61)	(2.58)

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

STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2011**

	Notes	Consolidated	
		2011	2010
		\$	\$
Current assets			
Cash and cash equivalents	15(b)	2,387,656	7,584,416
Trade and other receivables	4	855,763	1,157,760
Investments		7,265	-
Prepayments	5	57,310	59,188
Total current assets		3,307,994	8,801,364
Non-current assets			
Trade and other receivables	4	202,961	282,960
Plant and equipment	7	26,986	46,746
Exploration and evaluation assets	8	8,894,073	3,754,263
Oil and gas properties	9	1,343,406	5,876,652
Total non-current assets		10,467,426	9,960,621
Total assets		13,775,420	18,761,985
Current liabilities			
Trade and other payables	10(a)	1,064,741	1,915,478
Cash call	10(a)	72,767	1,894,178
Provisions	11	531,911	71,578
Total current liabilities		1,669,419	3,881,234
Non-current liabilities			
Interest bearing loans and borrowings	10(b)	1,510,000	-
Provisions	11	92,983	813,528
Total non-current liabilities		1,602,983	813,528
Total liabilities		3,272,402	4,694,762
Net assets		10,503,018	14,067,223
Equity			
Contributed equity	12	92,539,992	86,365,141
Reserves	14	(2,471,611)	11,325
Accumulated losses		(79,565,363)	(72,309,243)
Total equity		10,503,018	14,067,223

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 2011

	Notes	Consolidated	
		2011	2010
		\$	\$
Cash flows from operating activities			
Receipts from customers		2,932,690	6,019,752
Receipts from JV partners		1,647,692	2,719,495
Payments to suppliers and employees		(6,701,503)	(13,175,507)
Interest received		14,187	22,333
Interest paid		(31,878)	(1,252,273)
Net cash flows from/(used in) operating activities	15(a)	(2,138,812)	(5,666,200)
Cash flows from investing activities			
Payments for investments		(67,561)	-
Payments for exploration and evaluation expenditure		(2,302,032)	(884,907)
Payments for oil & gas properties		(901,165)	(1,126,581)
Payments for prospects		(3,053,326)	(628,694)
Net cash flows used in investing activities		(6,324,084)	(2,640,182)
Cash flows from financing activities			
Proceeds from the issue of shares		3,688,384	18,015,259
Share issue costs		(426,530)	(1,046,979)
Repayment of borrowings		-	(2,353,668)
Proceeds from convertible notes		1,510,000	-
Net cash from financing activities		4,771,854	14,614,612
Net increase/(decrease) in cash and cash equivalents		(3,691,042)	6,308,230
Cash and cash equivalents at 1 July		7,584,416	1,381,811
Effect of exchange rate changes on cash and cash equivalents		(1,505,718)	(105,625)
Cash and cash equivalents at 30 June	15(b)	2,387,656	7,584,416

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 2011

Consolidated Entity	Issued capital	Accumulated losses	Option premium reserve	Foreign currency translation reserve	Convertible notes reserve	Total equity
	\$	\$	\$	\$	\$	\$
At 1 July 2010	86,365,141	(72,309,243)	4,019,740	(5,377,608)	1,369,193	14,067,223
Loss for the period	-	(7,256,120)	-	-	-	(7,256,120)
Other comprehensive loss	-	-	-	(2,492,936)	-	(2,492,936)
Total comprehensive loss for the period	-	(7,256,120)	-	(2,492,936)	-	(9,749,056)
Issue of share capital (net of issue costs)	6,174,851	-	-	-	-	6,174,851
Share based payments	-	-	10,000	-	-	10,000
Balance at 30 June 2011	92,539,992	(79,565,363)	4,029,740	(7,870,544)	1,369,193	10,503,018
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
Balance at 30 June 2010	86,365,141	(72,309,243)	4,019,740	(5,377,608)	1,369,193	14,067,223

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 2011

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 2011 was authorised for issue in accordance with a resolution of the directors on 30 September 2011. Golden Gate Petroleum Ltd is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities 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) Significant accounting policies

New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010.

- AASB 2009-5 – Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes in presentation, disclosure, recognition and measurement purposes. The amendments, which became mandatory for the group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements. AASB 200-10 – Amendments to Australian Accounting Standards – Classification of Rights Issue (AASB 132) (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments.

(ii) Accounting standards and interpretations issued but not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application.

AASB 10 - Consolidated Financial Statements, applicable to annual reporting periods commencing on or after 1 January 2013 introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice)
- Exposure, or rights, to variable returns from investee
- Ability to use power over investee to affect the entity's returns from investee.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.

AASB 11 - Joint Arrangements, applicable to annual reporting periods commencing on or after 1 January 2013 Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).

Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.

The group currently have joint arrangements as part of its exploration and development activities and is yet to assess the impact on transactions and balances recognised in the financial statements when this standard is first adopted for the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

AASB 12 - Disclosure of Interests in Other Entities, applicable to annual reporting periods commencing on or after 1 January 2013 combines existing disclosures from AASB 127 Consolidated and Separate Financial Statements, AASB 128 Investments in Associates and AASB 131 Interests in Joint Ventures. AASB 12 introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

AASB 13 - Fair Value Measurement, applicable to annual reporting periods commencing on or after 1 January 2013. Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.

Due to the recent release of this standard, the group has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.

AASB 2011-9 - Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income, applicable to annual periods commencing on or after 1 July 2012.

The standard incorporates amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP.

Various name changes of statements in AASB 101 as follows:

- statement of comprehensive income – to be referred to as ‘Statement of Profit or Loss and Other Comprehensive Income’
- statements – to be referred to as ‘Statement of Profit or Loss’ and ‘Statement of Comprehensive Income’.

OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.

When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the Statement of Comprehensive Income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).

AASB 1054 - Australian Additional Disclosures, applicable to annual reporting periods commencing on or after 1 July 2011.

The Standard moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. It removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories).

When this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054. However disclosure of finance and operating lease commitments will still be required under AASB 117 Leases.

AASB 9 – Financial instruments include requirements for the classification and measurement of financial assets resulting from phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the group’s 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The group has not yet determined the potential effect of the standard

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

(b) 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).

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Golden Gate Petroleum Ltd and its subsidiaries during the year ended 30 June 2011 ("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 less impairment charges in the parent entity information in Note 26. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(d) Plant and equipment

Oil and Gas Properties

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

Depreciation

Oil and gas properties and plant and equipment, other than freehold land, are depreciated to their residual values at rates based on the expected useful lives of the assets concerned on a unit of production basis. 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.
- Office equipment is depreciated based on the straight line method at rates of between 25% and 40%.

Currently there are no buildings owned by the Consolidated Entity.

Impairment

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

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.

(e) Mineral exploration and development costs

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration licence acquisition costs are capitalised and subject to 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 resources 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 profit or loss.

(f) 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.

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 profit or loss.

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

(g) Provision for restoration

The Consolidated Entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas. Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer Note 1(d)). Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

(h) Trade and other receivables

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.

(i) 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.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(k) Provisions

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

(l) 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

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

(m) Leases

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.

(n) Revenue

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

Sales Revenue

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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.

(o) Income tax

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(p) Other taxes

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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.

(q) Borrowing costs

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

(r) Contributed equity

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

(s) Earnings per share ("EPS")

Basic EPS is calculated as net profit 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.

(t) 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 are measured at fair value in a foreign currency are translated using the exchange rate as at the date when fair value was determined.

The functional currency of all the overseas subsidiaries is United States Dollars (US\$). As at the reporting date the assets and liabilities of 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 average exchange rate for the year. The exchange differences arising on the translation are taken directly to the foreign currency

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

reserve. On disposal of a foreign entity, the exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(u) 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.

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).

(v) 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.

(w) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(x) 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.

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".

(y) Comparative figures

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

(z) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

2. REVENUE, EXPENSES AND LOSSES/GAINS

	2011	2010
	\$	\$
(a) Revenue		
Sales revenue	2,698,372	5,812,483
(b) Cost of sales		
Operating costs	555,102	1,361,570
Depletion	850,199	2,263,752
Royalties	610,352	1,351,827
	2,015,653	4,977,149
(c) Administration costs		
Employee/consulting fees	969,766	1,071,806
Defined contribution superannuation	3,303	8,670
Share based payments	10,000	-
Employee benefit / consulting fees expense	983,069	1,080,476
Compliance Costs	312,205	597,072
Doubtful debt provision expense	140,211	-
Break fee – Pass Petroleum	-	590,109
Insurance	33,291	30,117
Depreciation	16,684	16,699
Foreign currency translation	360	-
Other	412,403	290,488
	1,898,223	2,604,961
(d) Finance Expense		
Interest expense	50,690	1,281,635
Finance costs - Convertible note*	-	3,133,235
Fair value movement of embedded derivative	-	686,336
	50,690	5,101,206

* During the previous year, the Company settled all previously outstanding convertible notes (refer Note 10), resulting in a loss on conversion of \$3,133,235. Additional convertible notes were issued during the year. Refer to Note 10 for further details.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

3. INCOME TAX

The major components of income tax expenses are:

	Consolidated	
	2011	2010
	\$	\$
Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax charge	(1,499,827)	(2,926,570)
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)
DTA not brought to account	1,499,827	3,186,092
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	-	220,041
Statement of Changes in Equity		
<i>Deferred income tax</i>		
Convertible note	-	(586,797)
Deferred income tax recognised directly in equity	-	(586,797)

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)	(7,256,120)	(14,988,043)
Prima facie tax receivable at 30% (2010:30%)	(2,176,836)	(4,496,413)
Add tax effect of:		
Convertible note finance costs	-	1,530,362
Unwind convertible note revaluation	-	220,041
DTA not brought to account	2,176,836	2,966,051
Income tax expense / (benefit) on loss	-	220,041

Deferred income tax

Deferred income tax at 30 June relates to the following:

	2011		2010	
	\$		\$	
Deferred tax liabilities				
Deferred tax liabilities movement in the profit and loss:				
Exploration expenses	333,239		118,708	
Deferred tax liabilities movement in equity:				
Convertible note	-		586,797	
	333,239		705,505	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011	2010
	\$	\$
Deferred tax assets		
Deferred tax assets movement		
Exploration expenses:		
Provisions	(143,102)	158,189
Losses - Aust	362,047	577,193
Losses - US	1,137,780	5,504,780
Other	-	190
Non-recognition of deferred taxes	(1,023,486)	(5,534,847)
	333,239	705,505

Tax losses

At 30 June 2011, Golden Gate Petroleum Ltd consolidated group has \$24,990,316 (including US tax losses) (2010: \$23,490,489) 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	
	2011	2010
	\$	\$
Deferred tax assets		
Tax losses – Australian	2,317,478	1,955,431
Tax losses – US	22,672,838	21,535,058
	24,990,316	23,490,489

Golden Gate Petroleum Ltd and its 100% owned Australian subsidiaries have not formed a tax consolidated group for the year ended 30 June 2011.

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 2011

4. TRADE & OTHER RECEIVABLES

	Consolidated	
	2011	2010
	\$	\$
Current		
Trade debtors ¹	505,663	1,033,446
Allowance for impairment loss ²	(140,211)	-
	365,452	1,033,446
Other receivables ³	490,311	124,314
	855,763	1,157,760

	Consolidated	
	2011	2010
	\$	\$
Non-current		
Security deposits ⁴	202,961	282,960
	202,961	282,960

Terms and conditions relating to the above financial instruments;

- 1 Trade debtors are non-interest bearing and generally on 60 day terms.
- 2 A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$140,211 (2010: Nil) has been recognised by the group in the current year. This amount has been included in administration overheads in the current year. The amount relates to one individual debtor.
- 3 Other receivables are non-interest bearing and have repayment terms of between 30 and 90 days.
- 4 Security deposits are interest bearing and provide security towards performance bonds provided by the Consolidated Entity's banks to state governmental agencies against environmental obligations.

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

		Total	0 to 30 Days	31 to 60 Days	61 to 90 Days	>90 Days CI*	>90 Days PDNI**
		\$	\$	\$	\$	\$	\$
2011	Consolidated	365,452	238,854	98,721	4,032	-	23,845
2010	Consolidated	1,033,446	521,063	195,475	258,530	-	58,378

* Considered impaired ('CI')

** Past due not impaired ('PDNI')

Receivables past due but not impaired are \$23,845 (2010: \$58,378).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

5. PREPAYMENTS

	Consolidated	
	2011	2010
	\$	\$
Prepayments	57,310	59,188

The majority of the prepayment balance is in relation to insurance for the 2011 financial year. The balance as at 30 June 2010 was primarily related to prepayments for insurance.

6. INVESTMENTS IN CONTROLLED ENTITIES

Investments in subsidiaries	Country of Incorporation	Percentage of Equity Interest held by the consolidated entity	
		2011	2010
		%	%
Southdale Holdings Pty Ltd	Australia	100	100
Golden Gate Resources Ltd	Canada	100	100
GGR Petroleum LLC	USA	100	100
Cathie Delaware, LLC	USA	-	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
Long Flat Ltd	USA	100	100
Birdwood Louisiana LLC	USA	100	100
Yarras Texas LLC	USA	100	100

Cathie Delaware, LLC was dissolved on 14 June 2011 and Kindee Nevada Petroleum, LLC was dissolved on 26 May 2011.

7. PLANT & EQUIPMENT

	Consolidated	
	2011	2010
	\$	\$
Office equipment at cost	88,597	101,704
Accumulated depreciation	(61,611)	(54,958)
Total office equipment	26,986	46,746

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 30 JUNE 2011**

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

	Consolidated	
	2011	2010
	\$	\$
Office equipment at cost		
Balance at start of year	46,746	66,483
Additions	4,951	3,718
Reclassification of assets	(8,027)	(3,871)
Disposal	-	(2,885)
Depreciation	(16,684)	(16,699)
Balance at end of year	26,986	46,746

8. EXPLORATION AND EVALUATION ASSETS**a) Expenditure carried forward in respect of hydrocarbon areas of interest**

	Consolidated	
	2011	2010
	\$	\$
Exploration and evaluation - at cost	8,894,073	3,754,263

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	
	2011	2010
	\$	\$
Carrying amount at beginning of period	3,754,263	2,497,328
Movement in carrying value as a result of foreign currency variations	(1,237,425)	(108,916)
Additions	8,271,113	2,229,754
Impairment expense*	(1,893,878)	(863,903)
Carrying amount at end of period	8,894,073	3,754,263

* Allowance for impairment expense in 2011 write off incurred with respect to the drilling and prospect costs of Sagers #1, Clifton Lands #1, Dugas & Leblanc #1 & #2, TGR #1 and some Napoleonville projects.. Allowance for impairment expense in 2010 writes off incurred with respect to Folse #5, and Padre Island exploration Assets. 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 2011

9. OIL AND GAS PROPERTIES

a) Oil and gas properties carried forward

	Consolidated	
	2011	2010
	\$	\$
Oil and gas production – at cost	10,176,146	10,642,064
Accumulated amortisation	(8,832,740)	(4,765,412)
	1,343,406	5,876,652

b) Reconciliation:

	Consolidated	
	2011	2010
	\$	\$
Carrying amount at beginning of period	5,876,652	15,445,231
Transferred from exploration	-	-
Movement in carrying value as a result of foreign currency variations	(516,885)	(1,160,109)
Additions	901,165	1,126,581
Impairment expense	(4,067,328)	(7,271,299)
Amortisation	(850,198)	(2,263,752)
Carrying amount at end of period	1,343,406	5,876,652

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 \$4,067,328 (2010: \$7,271,299) 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
- 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 executive chairman.

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 2011, 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 2011

10. FINANCIAL LIABILITIES**a) Trade creditors**

	Consolidated	
	2011 \$	2010 \$
Current		
Trade creditors ¹	532,221	1,668,215
Other creditors ²	532,520	247,263
	1,064,741	1,915,478
Cash call ³	72,767	1,894,178
	1,137,508	3,809,656
Aggregate amount payable to related parties included in the above:		
Directors and director related entities:		
- director related entity ⁴	105,485	42,539

Terms and conditions

- 1) Trade creditors are non-interest bearing and generally on 30 - 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 and provision of office space owing at year end and are payable within 30 days. Refer to Note 20 for details of other key management personnel transactions.

b) Interest bearing loans and borrowings

	Consolidated	
	2011 \$	2010 \$
Non-current		
Convertible Notes	1,510,000	-

Terms and conditions of convertible notes

- (1) The coupon rate is 11% per annum, payable quarterly in arrears;
- (2) The principal is repayable on 30 June 2013; and
- (3) The notes convert at maturity on a 1:1 basis, but may be converted prior to maturity at the lower of: \$0.05 per Share; or 85% of the previous 10 day volume weighted average price of the Company's shares on ASX calculated from the date that the Company receives the conversion notice.
- (4) The Company may redeem the notes at any time on giving 30 days' notice to the note holders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

11. PROVISIONS

	Consolidated	
	2011	2010
	\$	\$
Current		
Employee benefits	625	926
Restoration costs	531,286	70,652
	531,911	71,578
Non-Current		
Restoration costs	92,983	813,528
	92,983	813,528
Restoration		
Carrying amount at beginning of period	884,180	637,189
Net provision movement	(95,077)	285,320
FX movement on provision	(164,834)	(38,329)
Carrying amount at end of period	624,269	884,180

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	
	2011	2010
	\$	\$
Ordinary shares fully paid	92,539,992	86,365,141

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 2011

(b) Movements in ordinary shares

	2011		2010	
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning of the year	975,826,623	86,365,141	272,867,197	63,877,009
Exercise of options	-	-	-	-
Conversion of convertible notes	-	-	130,070,917	4,924,852
Equity issues not for cash	212,000,000	2,949,000	17,000,000	595,000
Equity issues during the year for cash	307,365,323	3,688,384	555,888,509	18,015,259
Less: transaction costs	-	(462,533)	-	(1,046,979)
Balance at the end of the year	1,495,191,946	92,539,992	975,826,623	86,365,141

13. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share for the year ended 30 June 2011 was based on the loss attributable to ordinary shareholders of \$7,256,120 (2010: \$15,208,084) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2011 of 1,180,317,030 (2010: 590,559,746), calculated as follows:

	Consolidated	Consolidated
	2011	2010
	\$	\$
Weighted average number of ordinary shares		
Issued ordinary shares at 1 July	975,826,623	272,867,197
Effect of shares issued during the period	204,490,407	317,692,549
Weighted average number of ordinary shares at 30 June	1,180,317,030	590,559,746
Loss attributable to ordinary shareholders	(7,256,120)	(15,208,084)
Loss per share (cents) overall	(0.61)	(2.58)

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 541,936,396 as at 30 June 2011 (2010: 245,871,070).

Note holders have converted \$220,000 worth of convertible notes since the end of the financial year with the Company. At a general meeting of shareholders held on 13 September 2011, shareholders ratified the issue of convertible notes to the value of \$1,510,000 and approved the directors to be able to raise capital of up to \$2,500,000 from professional and sophisticated investors within three months of the general meeting. There were no other 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 2011

14. RESERVES

(a) 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	
	2011	2010
	\$	\$
Balance at the beginning of the year	4,019,740	3,590,862
Share option premium reserve	-	-
Issue of Options	10,000	428,878
Balance at end of the year	4,029,740	4,019,740

(iii) Movements in options on issue

2011	Number	Exercise Price	Expiry Date
Unlisted options			
Balance at the beginning of the year	13,900,000		
Expiry of options	(13,300,000)	\$0.35	30-Oct-10
Total unlisted options at the end of the year	600,000	\$0.40	31-Aug-11
Listed options			
Balance at the beginning of the year	231,971,070		
Issue of options	309,365,326	\$0.08	31-Aug-12
Total listed options at the end of the year	541,336,396	\$0.08	31-Aug-12

2010	Number	Exercise Price	Expiry Date
Unlisted options			
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
Total unlisted options at the end of the year	13,900,000		
Listed options			
Balance at the beginning of the year	-		
Issue of options	231,971,070	\$0.08	31-Aug-12
Total listed options at the end of the year	231,971,070		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(b) 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	
	2011 \$	2010 \$
Balance at the beginning of the year	(5,377,608)	(5,156,264)
Currency translation differences	(2,492,936)	(221,344)
Balance at end of the year	(7,870,544)	(5,377,608)

(c) 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(b))

(ii) Movements in reserve

	Consolidated	
	2011 \$	2010 \$
Balance at the beginning of the year	1,369,193	1,882,622
Convertible notes issued (net of tax)	-	(513,429)
Balance at end of the year	1,369,193	1,369,193

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

15. STATEMENT OF CASH FLOWS

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

	Consolidated	
	2011 \$	2010 \$
Net loss after tax for the period	(7,256,120)	(15,208,084)
Add/(less) non-cash items:		
Foreign currency translation	360	-
Allowance for impairment in exploration & development assets	5,961,206	8,135,045
Allowance for impairment in investments	52,482	-
Allowance for impairment of trade debtors	140,211	-
Amortisation of production assets	850,199	2,263,752
Employee share option expense	10,000	-
Accrued interest revenue	(9,285)	-
Accrued interest expense	18,812	-
Net loss/(gain) on sale of non-current assets	(650)	-
Convertible note extinguishment	-	3,819,571
Depreciation	16,684	16,699
Net cash (used in)/ from operating activities before change in assets and liabilities	(216,101)	(973,017)
Decrease/(increase) in receivables	301,997	(354,473)
Decrease/(increase) in other assets	79,999	90,219
Decrease/(increase) in prepayments	1,878	(12,767)
Increase/(decrease) in provisions	(260,212)	219,198
Increase/(decrease) in prepaid JV receipts	(1,821,411)	1,807,029
Increase/(Decrease) in payables	(224,962)	(6,442,389)
Net cash flow from / (used in) operating activities	(2,138,812)	(5,666,200)

(b) Reconciliation of cash and cash equivalents

Cash balance comprises:		
<i>Cash at bank</i>	2,387,656	7,584,416

(c) Non-cash investing and financial activities

	Consolidated	
	2011 \$	2010 \$
Shares issued to acquire exploration & evaluation assets	2,915,755	-
Shares issued to acquire development assets	-	560,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

16. INTEREST IN JOINTLY CONTROLLED ASSETS

At 30 June 2011 the Consolidated Entity was a participant in the following jointly controlled assets:

	Consolidated	
	2011 Working Interest %	2010 Working Interest %
Producing wells		
Jumonville #1	54.25%	42.25%
Jumonville #2	54.25%	42.25%
Louisiana prospects		
Fausse Point	18.00%	18.00%
Napoleonville (subject to Participation Agreement)	18.83%	18.83%
North Edna (Silverwood)	85.00%	30.00%
Texas prospects		
Permian Basin	100.00%	-
Bowtie project	18.00%	18.00%

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 \$8,894,073 (2010: \$3,754,263) and production costs of \$1,343,406 (2010: \$5,876,652) represent principally the Consolidated Entity's share of development and exploration joint ventures, the material interests of which are noted above.

17. COMMITMENTS**Leases as lessee**

Non-cancellable operating lease rental are payable as follows:

	Consolidated	
	2011 \$	2010 \$
Less than one year	46,933	31,390
Between one and five years	30,943	39,238
More than five years	-	-
	77,876	70,628

The Consolidated Entity acquired new office rental space and extended the term for the current space in regard to the Houston office. These leases expire on 31 July 2012 and 31 July 2013. There are no exploration commitments.

18. CONTINGENT LIABILITIES

Several class action suits have been filed in the United States against the operator of the Dugas & Leblanc #1 well and the joint venture partners. As at the date of this report, the Company does not expect any material costs to eventuate against the Company given the level of the Company's insurance. Any eventuating costs and insurance reimbursements are unable to be quantified at this time.

A party to a previous agreement with Arturus Capital Limited in connection with the Permian Basin leases have enjoined the Company in an action to enforce an option agreement previously entered into by Arturus Capital Limited with the party prior to the sale of the leaseholds to the Company. As at the date of this report, the Company has filed for a summary judgement to seek the US court to dismiss the primary allegations. The Company has in place an indemnity provided by Arturus Capital Limited against the actions by the party.

A party has commenced an action against the company in the United States seeking reimbursement of US\$ 35,411 of royalties paid to a landowner. The Company believes it has a strong position in defending this action.

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 30 JUNE 2011****19. AUDITORS' REMUNERATION**

Amounts received or due and receivable by Ernst & Young (2010) and BDO Audit (NSW – Vic) Pty Ltd (2011) for:

	Consolidated	
	2011	2010
	\$	\$
An audit or review of the financial report of the company	75,000	97,730
Taxation advice	-	7,210
	75,000	104,940

20. KEY MANAGEMENT PERSONNEL*(i) Directors and Executives*

S Graves	- Executive Chairman (appointed as a director 4 February 2008, Executive Chairman on 31 January 2011)
S Russotti	- Non-Executive Chairman (appointed 30 June 2003, retired 31 January 2011)
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)
C Ritchie	- Financial Controller (appointed 12 July 2010)

	Consolidated	
	2011	2010
	\$	\$
DISCLOSURES		
Short term	911,715	569,048
Post-employment	3,303	9,908
Termination benefits	-	-
Share-based payment	10,000	-
	925,018	578,956

(a) Shares issued on exercise of remuneration options

No remuneration options were exercised in the 2011 or 2010 financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(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.

2011	Held at 1 July 2010	Granted	Expired	Exercised/ Sold	Other Changes *	Held at 30 June 2011	Exercisable/ Vested
Key Management Personnel							
Mr S Graves	5,489,021	-	(5,000,000)	-	760,509	1,249,530	1,249,530
Mr F Petruzzelli	2,379,149	-	(2,000,000)	-	714,277	1,093,426	1,093,426
Mr S Russotti	4,198,753	-	(4,000,000)	-	-	198,753	198,753
Mr F Brophy	-	2,000,000	-	-	-	2,000,000	2,000,000
Mr C Bowyer	-	-	-	-	-	-	-
Mr C Ritchie	-	-	-	-	-	-	-
Total	12,066,923	2,000,000	(11,000,000)	-	1,474,786	4,541,709	4,541,709

* During the year Messrs Graves and Petruzzelli 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.

2010	Held at 1 July 2009	Granted	Expired/ Forfeiture	Exercised/ Sold	Other Changes *	Held at 30 June 2010	Exercisable / Vested
Key Management Personnel							
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	-	-	-	-	-	-	-
Total	12,500,000	-	(1,500,000)	-	1,066,923	12,066,923	12,066,923

* 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 2011

(c) 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:

2011	Held at 1 July 2010	On Exercise of Options	Other changes *	Held at 30 June 2011
Key Management Personnel				
Mr S Graves	2,802,542	-	1,760,509	4,563,051
Mr F Petruzzelli	2,371,374	-	1,914,277	4,285,651
Mr S Russotti (1)	1,069,287	-	-	1,069,287
Mr F Brophy	-	-	-	-
Mr C Bowyer	-	-	-	-
Mr C Ritchie	-	-	-	-
Total	6,243,203	-	3,674,786	9,917,989

(1) Mr Russotti holds 100,582 (2010: 100,582) shares on trust for other non-related parties.

During the year Mr Graves purchased 1,000,000 shares on market and participated in the rights issue undertaken by the Company. Mr Petruzzelli purchased 1,200,000 shares on market and participated in the rights issue undertaken by the Company.

2010	Held at 1 July 2009	On Exercise of Options	Other changes *	Held at 30 June 2010
Key Management Personnel				
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 C Bowyer	-	-	-	-
Total	3,606,190	-	2,637,013	6,243,203

(2) Mr Russotti holds 100,582 (2010: 100,582) shares on trust for other non-related parties.

* During the year Messrs Graves, Petruzzelli and Russotti participated in the rights issue 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.

(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. Transactions primarily related to administration expenses.

Transaction	Note	2011 \$	2010 \$
Specified Directors & Executives			
Mr F Petruzzelli	(i)	141,257	79,177
Mr S Graves	(ii)	82,352	98,687

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

- (i) During 2011, MDB & Co., of which Mr F Petruzzelli is a principal, serviced office accommodation and reimbursement of director and management related travel costs. MDB was owed \$97,235 at year end (2010: \$19,886).
- (ii) During 2011, Tigre International Inc., of which Mr S Graves is a director was reimbursed travel costs.

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	
	2011	2010
	\$	\$
Expense arising from equity settled share based payment transactions	10,000	-

(b) Details of options granted and vested during the year ended 30 June 2011

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

Holders	Number of options granted during 2011	Grant date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Number of options vested during 2010
Directors						
Mr F Brophy	2,000,000	18-Nov-10	\$0.005	0.08	31-Aug-12	2,000,000

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.

Valuation of options

The listed options granted to Mr Brophy have been valued as at the ASX market price at the grant date.

(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:

	2011 No.	2011 WAEP	2010 No.	2010 WAEP
Outstanding at the beginning of the year	245,871,070	0.10	23,450,000	0.37
Granted during the year	309,365,326	0.08	231,971,070	0.08
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(13,300,000)	0.35	(9,550,000)	0.40
Outstanding at the end of the year	541,936,396		245,871,070	
Exercisable at the end of the year	541,936,396		245,871,070	

The outstanding balances as at 30 June 2011 are represented by:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

- 600,000 unlisted options over ordinary shares with an exercise price of \$0.40 each, exercisable on or before 31 August 2011
- 541,336,396 listed options over ordinary shares with an exercise price of \$0.08 each, exercisable on or before 31 August 2012

(d) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.17 years (2010: 1.69 years).

(e) Range of exercise price

The range of exercise prices for options outstanding at the end of the year was \$0.08 – 0.40 (2010: \$0.08 - \$0.40). 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.

(f) Weighted average fair value

The weighted average fair value of options granted or vested during the year was \$0.0804 (2010: \$0.1029).

22. SUBSEQUENT EVENTS

On 19 July 2011, the Dugas & Leblanc #3 well was placed on production at a rate of 1,500 mcf/d in the 10ft "Stray B" on a 10/64th inch choke. Subsequently the production rate was increased to over 4,000 mcf/d on a 16/64th inch choke with additional oil production of 30 – 35 barrels per day.

On 11 August 2011, the Company announced that a two well drilling program at the Permian Basin was expected to commence in September 2011. A drilling rig had been contracted to drill both wells back to back, the lessor had given consent to drill on the leasehold, the Company had hired an experienced Permian Basin Drilling Manager and planning had commenced on a 10 well drilling program.

On 13 September 2011, shareholders at a general meeting of the Company ratified the issue of 30,200,000 convertible notes and the proposed issue of shares to professional investors to raise up to \$2,500,000.

As at 29 September 2011, convertible notes to the value of \$220,000 had been converted by note holders into ordinary shares in the Company.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise cash, trade receivable and payables, and convertible notes. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

(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.

(e) Liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

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 \$
2011					
Financial assets					
Cash assets *	3.7%	-	2,387,656	-	2,387,656
Trade and other receivables – current *	-	-	-	855,763	855,763
Security deposits **	0.5%	-	202,961	-	202,961
		-	2,590,617	855,763	3,446,380
Financial liabilities					
Trade and other payables*	-	-	-	1,064,741	1,064,741
Convertible notes **	11.0%	1,510,000	-	-	1,510,000
		1,510,000	-	1,064,741	2,574,741

* 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 \$
2010					
Financial assets					
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
		-	7,867,376	1,157,760	9,025,136
Financial liabilities					
Trade and other payables*	-	-	-	1,915,478	1,915,478
		-	-	1,915,478	1,915,478

* Maturing in 1 year or less

** Maturing in 1 year or more

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 30 JUNE 2011****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	Other	Profit	Other
		2011	Comprehensive Income 2011	2010	Comprehensive Income 2010
Risk variable					
Interest rate	+ 50 b.p.	11,938	11,938	39,337	39,337
	- 50 b.p.	(11,938)	(11,938)	(39,337)	(39,337)

(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 2011

The following are the contractual maturities of financial liabilities:

Consolidated						
30 June 2011						
	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	1,064,741	1,064,741	1,064,741	-	-	-
Convertible notes *	1,510,000	332,655	41,866	41,866	248,923	-
	2,574,741	1,397,396	1,106,607	41,866	248,923	-

* The contractual cash flows are interest only as the holder has no right to redemption.

30 June 2010						
	Carrying amount	Contractual cash flows	<3 months	3-6 mths	6-24 mths	>2 years
	\$	\$	\$	\$	\$	\$
Trade and other payables	1,915,478	1,915,478	1,915,478	-	-	-
	1,915,478	1,915,478	1,915,478	-	-	-

(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 group has one operating business, being oil and gas exploration and development in the USA. The financial information reviewed by the CODM is only prepared on a consolidated basis and no discrete financial information is available, thence no business segments and no segment information is presented.

Entity-wide disclosures**Products and services**

Revenues from external customers for each group of similar products and services is as follows:

Revenues from external customers	Oil	Gas	Other*	Total
	\$	\$	\$	\$
2011	2,332,802	213,764	151,806	2,698,372
2010	5,230,006	368,605	213,872	5,812,483

*Products other than Oil and Gas

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

Geographical information

Revenues and non-current assets by geographical location are as follows:

2011	USA	Australia
	\$	\$
Sales revenue	2,698,372	-
Non-current assets	10,465,794	1,632

2010	USA	Australia
	\$	\$
Sales revenue	5,812,483	-
Non-current assets	9,959,506	1,115

The Consolidated Entity produces oil and gas to customers located in the North American market. The Group has five customers to which it provides oil, gas and other products. One customer accounts for \$2,253,653 of total revenue.

26. PARENT ENTITY INFORMATION

As at, and throughout, the financial year ended 30 June 2011, the parent entity of the group was Golden Gate Petroleum Limited.

	Parent	
	2011	2010
	\$	\$
Result of the parent entity		
Loss of the parent entity	(1,604,112)	(15,429,427)
Total comprehensive income of the parent entity	(1,604,112)	(15,429,427)
Financial position of the parent entity at year end		
Current assets	1,638,986	254,023
Non-current assets	10,594,455	13,961,082
Total assets	12,233,441	14,215,105
Current liabilities	219,597	147,882
Non-current liabilities	1,510,826	-
Total liabilities	1,730,423	147,882
Contributed equity	92,539,992	86,365,140
Retained earnings	(79,290,961)	(77,686,850)
Option premium reserve	4,029,740	4,019,740
Foreign exchange translation reserve	(8,144,946)	-
Convertible note reserve	1,369,193	1,369,193
Total shareholders equity	10,503,018	14,067,223

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

-

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 30 JUNE 2011****27. BUSINESS COMBINATION**

On 3 March 2011, Cathie Energy Texas, LLC, a 100% owned subsidiary of the parent entity acquired the leaseholds to 8,806 acres in the Permian Basin area of Texas, USA. The asset was acquired to diversify the Company's operations from solely an explorer of conventional hydrocarbon resources to add the development of unconventional resources. The asset was acquired from Arturus Capital Limited (ASX:AKW).

Purchase consideration

Cash paid	\$2,222,841
Shares in the Parent Entity issued (1)	<u>\$2,744,000</u>
Total purchase consideration	<u>\$4,966,841</u>

The fair value of the Permian Basin leasehold asset acquired	<u>\$4,966,841</u>
--	--------------------

(1) The Parent Entity issued 196,000,000 fully paid ordinary shares with a deemed fair value of \$0.014 per share being the ASX market price on the date of acquisition.

A party to a previous agreement with Arturus Capital Limited in connection with the Permian Basin leases have enjoined the Company in an action to enforce an option agreement previously entered into by Arturus Capital Limited with the party prior to the sale of the leaseholds to the Company. As at the date of this report, the Company has filed for a summary judgement to seek the US court to dismiss the primary allegations. The Company has in place an indemnity provided by Arturus Capital Limited against the actions by the party. The potential effect of this claim is unable to be estimated and hence no contingent liability has been recognised at the time of acquisition or subsequently.

There has been no amount of revenue and profit or loss from the leaseholds since the acquisition date included the consolidated Statement of Comprehensive Income for the reporting period.

INDEPENDENT AUDITOR'S REPORT

To the members of Golden Gate Petroleum Ltd

Report on the Financial Report

We have audited the accompanying financial report of Golden Gate Petroleum Ltd, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 control. 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 complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Golden Gate Petroleum Ltd, would be in the same terms given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Golden Gate Petroleum Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

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 2011. 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.

Opinion

In our opinion, the Remuneration Report of Golden Gate Petroleum Ltd for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (NSW-VIC) Pty Ltd

Nicholas Burne

Director

Melbourne, 30 September 2011

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 (2nd 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

	Recommendation	Comply Yes / No	Reference
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Yes	Page 56
1.2	Disclose the process for evaluation the performance of senior executives	Yes	Page 56
2.1	A majority of the board should be independent directors.	No	Page 57
2.2	The chairperson should be an independent director.	No	Page 57
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No	Page 57
2.4	The board should establish a nomination committee.	No	Page 58
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors	Yes	Page 58
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 58
3.2	Disclose the policy concerning trading in Company securities by directors, officers and employees.	Yes	Page 58
4.1	The board should establish an audit committee.	No	Page 59
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 59
4.3	The audit committee should have a formal charter.	No	Page 59

	Recommendation	Comply Yes / No	Reference
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 60
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Yes	Page 61
7.1	The board or appropriate board committee should establish policies on risk oversight and management.	Yes	Page 61
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 61
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 62
8.1	The board should establish a remuneration committee.	No	Page 62
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 62

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 an executive chairman, and two non-executive directors. Under the independence guidelines in the Recommendations, only Mr Brophy, 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 has advised that it is interested in appointing an additional independent director to complement the existing board member's expertise.

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 Graves	Managing Director	4 Years
Mr F Petruzzelli	Non-executive Director	7 Years
Mr F Brophy	Non-Executive Director	2 Years

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;
- four weeks before and 24 hours after the release of the Company's half yearly or annual report to the ASX;
- two weeks before and 24 hours after the release of the Company's quarterly reports; 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 chief financial officer declared in writing to the board that the Company's financial reports for the year ended 30 June 2011 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 chief financial officer have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the 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 6 SEPTEMBER 2011

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 6 September 2011 there are no substantial shareholders.

Class of shares and voting rights

At 6 September 2011 there were 4,971 holders of 1,518,644,052 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
1 – 1,000	284
1,001 – 5,000	352
5,001 – 10,000	229
10,001 – 100,000	2002
100,001 and over	2,104
Total	4,971

The number of shareholders holding less than a marketable parcel is 2,098.

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 6 SEPTEMBER 2011

Listing of 20 largest shareholders

	Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held
1.	Alimold Pty Ltd	39,050,000	2.571%
2.	Four P Investment Co. Pty Ltd	20,450,000	1.347%
3.	Lawnbet Pty Ltd (FMD Superannuation Fund A/C)	20,000,000	1.317%
4.	Dr Tony Kolimackovski	17,600,000	1.159%
5.	Mr Michael Wehbe	15,000,000	0.988%
6.	Ganeshaya Pty Ltd	14,197,309	0.935%
7.	AW & JE Wilks Pty Ltd	13,000,000	0.856%
8.	Mr Wan How Ng	13,000,000	0.856%
9.	Dr Andrew Lennox	12,800,000	0.846%
10.	Ms Mooi Fah Lee	12,000,000	0.790%
11.	ABN Amro Clearing Sydney Nominees Pty Ltd	11,269,777	0.742%
12.	Blocking Services Pty Ltd	11,000,000	0.724%
13.	UOB Kay Hian Provate Limited (Clients A/C)	10,793,881	0.711%
14.	Scintilla Strategic Investments Limited	10,000,000	0.658%
15.	Najava Pty Ltd (Macintosh Super Fund A/C)	9,864,692	0.650%
16.	Mr Bradley John Chapman	9,370,076	0.617%
17.	Ms Anne-Carita Kontkanen & Mr John Hildred	9,107,344	0.527%
18.	Diskfin Pty Ltd	7,999,330	0.527%
19.	Lee-Sands Nominees Pty Ltd	7,911,125	0.521%
20.	Mr Simon William Tritton	7,524,150	0.495%
	Total	271,987,684	17.910%

Listing of 20 largest listed option holders

	Name of Option holder	Number of Options Held	Percentage of Options Held
1.	BE Copymart Pty Ltd	28,000,000	5.172%
2.	Mr Michael Wehbe	23,563,328	4.353%
3.	Blocking Services Pty Ltd	20,000,000	3.695%
4.	Talbot Enterprises (Qld) Pty Ltd	16,650,000	3.076%
5.	Mr John William Clements	15,750,000	2.909%
6.	Beira Pty Ltd	14,660,000	2.708%
7.	Mr Paul Johns Simms	13,925,000	2.572%
8.	HSBC Custody Nominees (Australia) Limited	9,823,366	1.815%
9.	ABN Amro Clearing Nominees Pty Ltd	9,144,286	1.689%
10.	Mr David John Mills	8,000,000	1.478%
11.	Mr Simon William Tritton	7,940,816	1.467%
12.	Mrs Carolyn Gai Simms	7,750,000	1.432%
13.	Mrs Tao Liu	7,607,242	1.405%
14.	Mrs Rebekah Suzzane Grauaug	7,030,897	1.299%
15.	Mr Gilbert Pearson Williams	6,540,000	1.208%
16.	Y and T Cleaning Pty Ltd (Paskell Family A/C)	6,350,000	1.173%
17.	Dr Tony Kolimackovski	5,927,356	1.095%
18.	Mrs Margaret Ann Ryan & Mr Michael Rodney Ryan	5,600,000	1.034%
19.	Najava Pty Ltd (Macintosh Super Fund A/C)	5,402,761	0.998%
20.	Miss Jennifer Lynn Bailey	5,333,300	0.985%
		224,998,352	41.563%

GOLDEN GATE PETROLEUM LTD | ADDITIONAL SHAREHOLDER INFORMATION
AS AT 6 SEPTEMBER 2011

Unquoted options

There are no unquoted options on issue as at 6 September 2011.

Tenement summary

Tenement	Working Interest
Producing Wells	
Jumonville #1	54.25%
Jumonville #2	54.25%
Louisiana Prospects	
Fausse Point	18.00%
Napoleonville (subject to participation agreement)	18.83%
North Edna (Silverwood)	85.00%
Texas Prospects	
Permian Basin	100.00%
Bowtie	18.00%