



GOLDEN GATE PETROLEUM LTD



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16 March 2006

HALF YEAR REPORT 31 DECEMBER 2005

INCOME STATEMENT

Golden Gate Petroleum's consolidated net profit before depletion and tax for the half year ended 31 December 2005 is \$1.2m (half year ended 31 December 2004: \$0.3m).

CASH AND BORROWINGS

As at 31 December 2005, Golden Gate Petroleum had \$1.1m of cash. Borrowings at period end totalled \$1.45m. The net operating cash flow reported in the Condensed Statement of Cash Flows of negative \$83,252 included the investment of \$1.3m for the acquisition of Moex's and Novus' interests in the Padre Island Project. Since 31 December 2005 the Company has repaid its loan and is currently debt free.

OUTLOOK

Production

During the half year Golden Gate's estimated net share of production from its USA operations was **120** million cubic feet of gas and **574** barrels of oil.

Production is continuing from the company's producing wells and the Company's net share of production is around 2.3mmcf per day. Planned further development of the LaPlaya Shallow, Plum Shallow and Dunn-Deep fields is expected to increase future production.

Exploration

The Company is aggressively pursuing its exploration objectives and has established a strong operational team in Houston to conduct its upcoming drilling programme. This team has already been successful in contracting a drilling rig for the next twelve months. The recent successes resulting in the discovery of the Dunn Deep and Plum Shallow Fields confirm that the Company's Padre Island leases are highly prospective.

General information on the Company and Quarterly Reports are available at www.ggpl.com.au.

SAM RUSSOTTI
Managing Director

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Interim financial report for six
months ending

31 December 2005

ABN 34 090 074 785

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Golden Gate Petroleum Ltd Directors' report

The directors present their report together with the consolidated condensed financial report for the half-year ended 31 December 2005 and the review report thereon.

Directors

The directors of the company at any time during or since the end of the half-year are:

Name	Period of directorship
Frank Petruzzelli - Chairperson, Non Executive	Appointed December 2001
Sam Russotti - Managing Director	Appointed 30 June 2003
Mark Freeman – Finance Director	Appointed 7 October 2005
Craig Burton - Non Executive Director	Resigned 7 October 2005

Directors were in office for this entire period unless otherwise stated.

Review of operations – Half year ending 30 December 2005

HIGHLIGHTS

- The Company had total sales to 31 December of \$1,520,408 with gross profit before depletion and tax of \$1,207,803.
- Golden Gate acquired all of Mitsui's (Moex) and Medco's (Novus') interests in the Padre Island Project.
- Golden Gate sells a 50% working interest in the Padre Island exploration acreage (but retains the production leases) to Lodore Resources.
- Golden Gate and Lodore form a new Joint Venture with Golden Gate as the operator.
- Golden Gate on behalf of the Joint Venture enters into an agreement to farm out a 25% working interest in six Padre Island Prospects.
- Golden Gate participated in the Dunn-Peach #6 well on the Plum Shallow structure.
- Dunn-Peach #6 has been completed and is producing at more than 1.6 million cubic feet of gas per day.
- Re-completion of LaPlaya Deep #1 in December discovered a new shallow gas field (the Dunn Deep Field).
- Production rate from the Dunn-Deep Field exceeds 4.5 million cubic feet per day.
- Golden Gate's gross share of production from its Padre Island and Bethany projects has reached 2.3 million cubic feet per day.
- Appointed former Unocal VP Mike Bell as its Chief Operating Officer based in Houston.
- Completed a \$4,100,000 (before costs) fundraising in January 2006.
- Mark Freeman appointed to the board as Finance Director.

ACQUISITIONS

On 1 August 2005 Long Flat Ltd (a wholly owned subsidiary of Golden Gate Petroleum Ltd) completed the purchase of all of the Padre Island interests owned by Medco Energi International (previously held by Novus Petroleum) for a consideration of US\$1,000,000. The acquisition was completed via the purchase of Kindee Oil & Gas Texas, LLC and Kindee Nevada Petroleum, LLC.

On 29 November 2005, Golden Gate completed its strategy to gain full control of the Padre Island Project by acquiring Mitsui's USA subsidiaries (Cathie Energy Texas, LLC and Cathie Energy Delaware, LLC) who held a 20% interest in the Padre Island leases. The consideration for the acquisition was US\$125,000.

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

FARMOUTS

On 1 August 2005 the Company announced the sale of half of its exploration interests in the Padre Island Project to Lodore Resources Inc ("Lodore") for a consideration of US\$420,000. Lodore is a subsidiary of Japanese listed IB Dawa.

On 21 December 2005 the Company announced a farm out agreement had been reached with Pantheon Resources Plc, a private company. Pantheon Resources has signed an Agreement to farm-in to a 25% working interest in the Padre Island leases owned equally by Long Flat Ltd (a 100% owned subsidiary of Golden Gate) and Lodore Resources Inc (a 100% owned subsidiary of IB Daiwa Corp, a company listed on the Tokyo stock exchange).

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

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

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

Pantheon will make an acreage payment of US\$1,054,025, following the execution by the parties of a farm out agreement. The agreement is expected to be executed before 31 March 2006.

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

WORKING INTEREST

On completion of the farm out to Pantheon Resources the interests in Padre Island will be as follows:

	Golden Gate	Lodore	BNP et al	Pantheon*
<u>Producing Fields</u>				
LaPlaya Shallow	35%	-	65%	-
Dunn Deep (new field producing from LaPlaya Deep #1)	35%	-	65%	-
LaPlaya Deep (zone shut in as used to produce Dunn Deep)	100%	-		-
West Bird	70%	-	30%	-
<u>Shallow Prospects</u>				
El Mar (all depths)	35%	-	65%	-
Manzano Shallow (to 10,500 ft)	35%	-	65%	-
Plum Shallow 30% of the Structure (to 9500ft)	10%	-	90%	-
Plum Shallow 70% of the Structure (to 9500 ft)	35%	-	65%	-
Papaya (to 9500 ft)	50%	-	50%	-
Lemon (to 9100 ft)	30%	-	70%	-
Wilson to 15000 ft)	37.5%	37.5%	-	25%
Kingsway (all depths)	37.5%	37.5%	-	25%
Lemonseed (to 9100 ft)	37.5%	37.5%		25%
<u>Deep Prospects</u>				
Plum Deep (9501 ft to 15000 ft)	37.5%	37.5%	-	25%
Manzano (10501 ft to 15000 ft)	37.5%	37.5%	-	25%
Murdock (all depths)	37.5%	37.5%	-	25%
Lemonseed (9101 ft and deeper)	22.5%	22.5%	30%	25%
Ultra Deep (Deeper than 16,000 feet)	35%	35%	30%	-

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

PRODUCTION

During the half year Golden Gate's estimated net share of production from its USA operations was **120** million cubic feet of gas and **574** barrels of oil.

These production numbers do not reflect the current full impact of the increased production from La Playa Deep #1 because the well was not tested and tied in until December. At the current production rate of around 4.8 million cubic feet of gas and 77 barrels of oil per day, it is anticipated that production for the March 06 quarter will be substantially higher.

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

FUTURE DRILLING PLANS

The Company announced on 24 February 2006 that it has contracted Parker rig number 121 for its 2006 drilling programme. The rig specifications are such that it is capable of drilling all of the wells planned for Padre Island. The initial contract is for twelve months with options to extend for up to a further two years by six month intervals.

The rig is expected to arrive on location at Padre Island in May to commence drilling the first of a planned six well programme during 2006. The first well to be drilled is dependent on the timing of the receipt of final location approvals from the relevant authorities.

PROSPECT/WELL	COMMENTS	LIKELY COMMENCEMENT DATE
Wilson*	Shallow Prospect	May 2006
Plum Shallow Development Well	Shallow Prospect	July 2006
Plum Deep*	Deep Prospect	August 2006
La Playa Shallow Development Well	Shallow Prospect	October 2006
Manzano*	Deep Prospect	November 2006
Murdock*	Deep Prospect	First Quarter 2007

* Operated by Golden Gate

Securing a suitable drilling rig in the current tight rig market is a major achievement that will enable the Company to pursue the drilling of its highly prospective portfolio of prospects.

CHANGE OF DIRECTORS

The Company announced on 7 October 2005 the resignation of Mr Craig Burton as a director and the appointment of Mr Mark Freeman.

Mr Burton has been a member of the board since 1999 and has been an integral part of the Company's growth and development over that period. Mr Burton has resigned due to other work commitments.

Mr Freeman has been Company Secretary and financial controller to the Company since 2001. Mr Freeman holds a Bachelor of Commerce degree from the University of Western Australia is an Associate of the Financial Services Institute of Australia and is a member of the institute of Chartered Accountants. Mr Freeman is currently a non executive director for Liberty Gold NL, Ming Resources Plc and Capital Intelligence Ltd.

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The auditor's independence declaration is set out on page 7 and forms part of the directors' report for the half-year ended 31 December 2005.

Dated at Perth this 16th day of March 2006.

Signed in accordance with a resolution of the directors:



Mark Freeman
Finance Director

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

In relation to our review of the financial report of Golden Gate Petroleum Ltd for the half-year ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

V. W. Tidy

V W Tidy
Partner
Perth
16 March 2006

Golden Gate Petroleum Ltd

Condensed consolidated income statement

For the six months ended 31 December 2005

	Note	\$ 31 Dec 2005	\$ 31 Dec 2004
Continuing operations			
Revenue from gas sales		1,520,408	248,984
Operating costs		(312,605)	-
Gross Profit before depletion		1,207,803	248,984
Other revenue		8,750	5,153
Net gain on sale of marketable securities		-	44,560
Depletion Costs		(1,218,320)	(239,245)
Exploration expenditure written off		(3,792)	(4,079,037)
Depreciation expenses		(4,277)	(6,760)
Finance costs		(56,946)	-
Other expenses		(299,568)	(358,316)
Loss from continuing operations before income tax expense		(366,350)	(4,381,661)
Income tax expense		-	-
Net loss attributable to members of the Company		(366,350)	(4,381,661)
Basic loss per share	6	0.26 cents	3.26 cents
Diluted loss per share		0.26 cents	3.26 cents

Golden Gate Petroleum Ltd
Condensed consolidated statement of changes in equity

	Issued capital	Accumulated losses	Other reserves	Foreign Currency	Total Equity
Balance at 1 July 2004	27,081,265	(5,491,940)	480,000	62,115	22,131,440
Loss for the period	-	(4,381,661)	-	-	(4,381,661)
Foreign currency translation reserve	-	-	-	(112,278)	(112,278)
Share issues	2,000,000	-	-	-	2,000,000
Transaction costs	(14,107)	-	-	-	(14,107)
Cost of share-based payments	-	-	1,533	-	1,533
Balance at 31 December 2004	29,067,158	(9,873,601)	481,533	(50,163)	19,624,927
	Issued capital	Accumulated losses	Other reserves	Foreign Currency	Total Equity
Balance at 1 July 2005	29,069,158	(10,164,520)	499,923	(213,262)	19,191,299
Loss for the period	-	(366,350)	-	-	-366,350
Foreign currency translation reserve	-	-	-	772,606	772,606
Share issues	-	-	-	-	0
Transaction costs	-	-	-	-	0
Cost of share-based payments	-	-	220,557	-	220,557
Balance at 31 December 2005	29,069,158	(10,530,870)	720,480	559,344	19,818,112

Golden Gate Petroleum Ltd

Condensed consolidated balance sheet

As at 31 December 2005

	\$	\$
	31 Dec 2005	30 June 2005
Current Assets		
Cash and cash equivalents	1,080,362	1,110,656
Trade and other receivables	1,987,825	145,597
Prepayments	163,729	51,346
Total current assets	3,231,916	1,307,599
Non-current assets		
Available-for-sale financial assets	5,826	1,844
Trade and other receivables	297,355	85,072
Plant and equipment	39,653	39,763
Exploration and evaluation expenditure	16,197,752	15,018,294
Development of oil & gas properties	2,136,353	2,957,202
Total non-current assets	18,676,939	18,102,175
Total assets	21,908,855	19,409,774
Current Liabilities		
Trade and other payables	634,678	178,555
Provisions	10,156	16,154
Interest bearing liabilities	1,421,110	-
Total current liabilities	2,065,944	194,709
Non current liabilities		
Provisions	24,799	23,766
Total non current liabilities	24,799	23,766
Total liabilities	2,065,944	218,475
Net assets	19,818,112	19,191,299
Equity		
Issued capital	29,069,158	29,069,158
Option premium reserve	480,000	480,000
Management option reserve	240,480	19,923
Foreign currency translation reserve	559,344	(213,262)
Accumulated losses	(10,530,870)	(10,164,520)
Total equity	19,818,112	19,191,299

Golden Gate Petroleum Ltd

Condensed consolidated interim cash flow statement

For the six months ended 31 December 2005

	31 Dec 2005	31 Dec 2004
Cash flows from operating activities		
Interest received	4,768	5,153
Interest paid	(3,705)	-
Payment to suppliers and employees	(137,518)	(293,576)
Cash receipts in the course of operations	902,792	298,634
Production costs	(210,132)	(18,427)
Net cash from operating activities	556,205	(8,216)
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(641,194)	(1,831,720)
Joint venture contributions	(134,515)	255,833
Security deposits	(347,968)	-
Proceeds of sale of tenements	552,632	102,000
Proceeds of sale of equity investments	-	82,422
Acquisition of plant and equipment	(8,367)	(694)
Proceeds from borrowings	1,321,670	-
Acquisition of subsidiary (net of cash and working capital acquired)	(1,675,848)	-
Recovery of acquired subsidiary debtors	294,133	-
Net cash from investing activities	(639,457)	(1,392,159)
Cash flows from financing activities		
Proceeds from the issue of shares	-	2,000,000
Share issue costs	-	(14,107)
Net cash from financing activities	-	1,985,893
Net increase/(decrease) in cash held	(83,252)	585,518
Add opening cash brought forward at half year	1,110,656	1,451,807
Effect of exchange rate changes on cash	52,958	(105,783)
Cash and cash equivalents at 31 December 2005	1,080,362	1,931,542

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

Golden Gate Petroleum Ltd (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "consolidated entity").

The Consolidated interim financial report was authorised for issue by the directors on 16th March 2006

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore can not be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the 30 June 2005 annual Financial Report of Golden Gate Petroleum Ltd as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable to financial years beginning before 1 January 2005 ("AGAAP").

It is also recommended that the half year financial report be considered together with and any public announcements made by Golden Gate Petroleum Ltd and its controlled entities during the half year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Statement of Compliance

The half-year financial report complies with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

This is the first half-year financial report prepared based on AIFRS and except for financial instruments comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. The consolidated entity has not restated comparative information for financial instruments as permitted under the first-time adoption of transitional provisions. The accounting policies for financial instruments applicable to the comparative period are consistent with those disclosed in the lodged 2005 annual financial report. A summary of the significant accounting policies of the Company under AIFRS are disclosed below.

Reconciliations of:

- AIFRS equity as at 31 December 2004 and 30 June 2005; and

- AIFRS loss for the half-year ended 31 December 2004 and full year ended 30 June 2005,

to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 6 below.

Basis of Preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis.

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRS in issue that are effective or available for early adoption at the consolidated entity's first AIFRS interim reporting date, 31 December 2005.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial report from the date that control commences until the date that control ceases. Acquisitions are accounted for using the purchase method.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

Foreign currency

Foreign currency transactions

The functional and presentation currency of Golden Gate Petroleum Ltd and its Australian based subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences are recognised in the income statement.

The functional currency of all the overseas subsidiaries is United States dollars (US\$).

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity – included as part of reserves.

On disposal of a foreign entity, the deferred cumulative amount in equity in relation to that particular operation is recognised in the income statement.

Plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses.

Depreciation is charged to the income statement on a diminishing return basis over the estimated useful lives of each part of an item of plant and equipment.

The depreciation rates used for each class of asset range between 22.5% to 40% per annum.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash for the purpose of the statement of cash flows.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which it belongs.

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 that asset.

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

Borrowing Costs

Borrowing costs are expensed in the period they are incurred.

Interest-Bearing Loans and Borrowings

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

Provisions

Provisions are recognised when the Group has a present obligation 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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions for Site Restoration

The consolidated entity records the present value of the estimated cost of legal and constructive obligations (such as those under the consolidated entity's Environmental Policy) to restore operating locations in the period in which the obligation is incurred. The nature of restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites and restoration, reclamation and revegetation 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 assets. Over time, the liability is increased for the change in the present value based on the discount rates that reflect the current market assessments and the risks specific to the liability.

Additional disturbances or changes in rehabilitation costs to the extent they relate to the development of an asset will be recognised as additions or changes to the corresponding asset and rehabilitation liability when incurred. The unwinding of the effect of discounting on the provision is recorded as a finance cost in the income statement. The carrying amount capitalised is depreciated over the life of the related asset.

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

Employee Entitlements

Provision is made for employee benefits accumulated as a result of employee services up to the reporting date. These employee benefits include wages and salaries, annual leave, and long service leave, and include related on-costs such as superannuation, payroll tax and workers compensation insurance.

Provision for annual leave and the current portion of long service leave together with the associated employment on-costs are measured at their nominal amounts based on remuneration rates expected to be paid when the liability is settled. The non-current portions of long service leave and its associated employment on-costs are measured at the present value of estimated future cash flows. No provision is made for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will never be paid. Contributions to defined contribution superannuation plans are expensed as incurred.

Share-based payment transactions

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

Trade and other payables

Trade and other payables are stated at amortised cost.

Revenue

Gas Sales

Revenue from sale of gas is recognised when the product is transported from the well site and all the risks and rewards of ownership have passed to the buyer.

Interest

Interest revenue is recognised using the effective interest method.

Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Mineral Exploration and Development Costs

(a) Areas in Exploration and Evaluation

Exploration and evaluation is stated at cost and accumulated in respect of each identifiable area of interest. Exploration and evaluation costs related to an area of interest are carried forward only when rights of tenure to the area of interest are current and provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(b) Areas in Development

Areas in development represent the costs incurred in preparing wells for production. The costs are carried forward to the extent that these costs are expected to be recouped through the successful exploitation of the Company's oil & gas leases.

Notes to the condensed consolidated interim financial statements

1. Significant accounting policies

(c) Areas in Production

Areas in production represent the accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which production of an oil and gas resource has commenced. Deferred development costs are being amortised over the estimated life of the project.

The net carrying value of each well is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess is fully provided against in the financial year in which this is determined.

Available-for-Sale Financial Assets

All investments are initially recognised at the fair value of the consideration given including acquisition charges associated with the investment. After initial recognition, investments, which are classified as available for sale, are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

Joint Venture Assets

Interests in joint venture assets are brought to account by including in the respective classifications, the share of the individual assets employed and share of liabilities and expenses incurred.

AASB 1 Transitional exemptions

The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Group has elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

2. Segment reporting

Business segments

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

Geographical segments

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

3. Change in Composition of Entity

Acquisitions

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

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

From the date of acquisition, Kindee Group has contributed US\$576,000 to revenue and has not contributed to the net profit of the group.

The fair value of identifiable assets and liabilities of the Kindee Group as at the date of acquisition are:

	Recognised on acquisition	Carrying value
Trade and other receivables	231,389	231,389
Plant and equipment	5,551	5,551
Deferred exploration and evaluation expenditure	1,372,520	1,372,520
	1,609,460	1,609,460
Trade and other payables	22,005	22,005
Fair value of net assets	1,587,455	1,587,455
Consideration:		
Cash paid	1,587,455	-
Costs associated with the acquisition	47,144	-
Total consideration	1,634,599	-

Notes to the condensed consolidated interim financial statements

3. Change in Composition of Entity (continued)

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

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

The fair value of identifiable assets and liabilities of the Cathie Group as at the date of acquisition are:

	Recognised on acquisition	Carrying value
Trade and other receivables	25,394	25,394
Deferred exploration and evaluation expenditure	198,172	198,172
	223,566	223,566
Trade and other payables	25,394	25,394
Fair value of net assets	198,172	198,172
Consideration:		
Costs associated with the acquisition	32,447	-
Cash paid	8,802	-
Deferred settlement (payable 17 March 2006)	156,923	-
Total consideration	198,172	-

4. Loss per share

Basic loss per share

The calculation of basic loss per share for the six months ended 31 December 2005 was based on the loss attributable to ordinary shareholders of \$366,350 (six months ended 31 December 2004: \$4,381,659) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2005 of 138,426,951 (six months ended 31 December 2004: 133,271,686), calculated as follows:

Loss attributable to ordinary shareholders For the six months ended 31 December 2005

	2005	2004
Loss attributable to ordinary shareholders	366,350	4,381,659

Weighted average number of ordinary shares

For the six months ended 31 December 2005

	31 Dec 2005	30 June 2005
Issued ordinary shares at 1 July	138,426,951	131,749,855
Effect of shares issued during the period	-	1,521,830
Weighted average number of ordinary shares at 31 December	138,426,951	133,271,685

Notes to the condensed consolidated interim financial statements

5. Subsequent event

On 30 January 2006, the Company undertook a placement raising \$4,100,000 (excluding costs of the issue) issuing 11,716,999 shares at 35 cents each.

As of 1 March 2006, Hardman Range Copper Pty Ltd, 100% subsidiary of Golden Gate Petroleum Ltd was wound up. This company was dormant.

Except for the matters discussed above, there has not arisen in the interval between 31 December 2005 and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

6. Explanation of transition to AIFRS

As stated in note 1, these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRS.

	Note	Consolidated Entity		
		Previous GAAP at 1.7.2004	Adjustments on introduction of AIFRS	AIFRS at 1.7.2004
		\$	\$	\$
Reconciliation of Equity at 1 July 2004				
Current Assets				
Cash and cash equivalents		1,451,807		1,451,807
Trade and other receivables		206,047		206,047
Prepayments		298,383		298,383
Current Assets		1,956,537		1,956,237
Non-current assets				
Available-for-sale financial assets		41,706		41,706
Trade and other receivables		72,482		72,482
Plant and equipment		50,735		50,735
Exploration and evaluation expenditure	a	20,190,958	84,153	20,275,111
Development of oil & gas properties				
Total non-current assets		20,355,881	84,153	20,440,034
Total assets		22,312,118	84,153	22,396,271
Current Liabilities				
Trade and other payables		236,453		236,453
Provisions		7,622		7,622
Interest bearing liabilities		-		-
Total current liabilities		244,075		244,075
Non current liabilities				
Provisions		20,756		20,756
Total non current liabilities		20,756		20,756
Total liabilities		264,831		264,831
Net assets		22,047,287		22,131,440
Equity				
Issued capital		27,081,265		27,081,265
Option premium reserve		480,000		480,000
Management option reserve		-		-
Foreign currency translation reserve	a	-	62,115	62,115
Accumulated losses	a	(5,513,978)	22,038	(5,491,940)
TOTAL EQUITY		22,047,287	84,153	22,131,440

		Consolidated Entity		
	Note	Previous GAAP at 31.12.2004	Adjustments on introduction of AIFRS	AIFRS at 31.12.2004
Reconciliation of Equity at 31 December 2004		\$	\$	\$
Current Assets				
Cash and cash equivalents		1,931,542		1,931,542
Trade and other receivables		154,666		154,666
Prepayments		90,297		90,297
Current Assets		2,176,505		2,176,505
Non-current assets				
Available-for-sale financial assets		1,844		1,844
Trade and other receivables		72,482		72,482
Plant and equipment		44,669		44,669
Exploration and evaluation expenditure	a	17,660,271	(66,197)	17,594,074
Development of oil & gas properties				
Total non-current assets		17,779,266	(66,197)	17,713,069
Total assets		19,955,771	(66,197)	19,889,574
Current Liabilities				
Trade and other payables		224,727		224,727
Provisions		16,154		16,154
Interest bearing liabilities		-		-
Total current liabilities		240,881		240,881
Non current liabilities				
Provisions		23,766		23,766
Total non current liabilities		23,766		23,766
Total liabilities		264,647		264,647
Net assets		19,691,124		19,624,927
Equity				
Issued capital		29,067,158		29,067,158
Option premium reserve		480,000		480,000
Management option reserve	b	-	1,533	1,533
Foreign currency translation reserve	a	-	(50,163)	(50,163)
Accumulated losses	a	(9,856,034)	(17,567)	(9,873,601)
TOTAL EQUITY		19,691,124	(66,197)	19,624,927

	Note	Consolidated Entity		
		Previous GAAP at 30.06.2005	Adjustments on introduction of AIFRS	AIFRS at 30.,06,2005
Reconciliation of Equity at 30 June 2005				
Current Assets				
Cash and cash equivalents		1,110,656	1,110,656	
Trade and other receivables		145,597	145,597	
Prepayments		51,346	51,346	
Current Assets		1,307,599	1,307,599	
Non-current assets				
Available-for-sale financial assets		1,844	1,844	
Trade and other receivables		85,072	85,072	
Plant and equipment		39,763	39,763	
Exploration and evaluation expenditure	a	15,211,914	(193,620)	15,018,294
Development of oil & gas properties		2,957,202		2,957,202
Total non-current assets		18,295,795	(193,620)	18,102,175
Total assets		19,603,394	(193,620)	19,409,774
Current Liabilities				
Trade and other payables		178,555	178,555	
Provisions		16,154	16,154	
Interest bearing liabilities		-	-	
Total current liabilities		194,709	194,709	
Non current liabilities				
Provisions		23,766	23,766	
Total non current liabilities		23,766	23,766	
Total liabilities		218,475	218,475	
Net assets		19,384,919	19,191,299	
Equity				
Issued capital		29,069,158	29,069,158	
Option premium reserve		480,000	480,000	
Management option reserve	b	-	19,923	19,923
Foreign currency translation reserve	a	-	(213,824)	(213,262)
Accumulated losses	a	(10,164,239)	281	(10,164,520)
TOTAL EQUITY		19,384,919	(193,620)	19,191,299

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

NOTE 2: FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS	Note	Consolidated Entity		
		Previous GAAP \$	Effect of transition to AIFRS \$	AIFRS \$
Reconciliation of Loss for the half-year 31 December 2004				
Total Revenue from ordinary activities		338,559	-	338,559
Depletion Costs	a	(230,580)	(8,665)	(239,245)
Exploration expenditure written off	a	(4,045,098)	(30,939)	(4,076,037)
Carrying value of assets sold		(39,862)		(39,862)
Depreciation expenses		(6,760)		(6,760)
Other expenses from ordinary activities		(358,315)		(358,315)
Loss from ordinary activities before income tax expense		(4,342,056)	(39,604)	(4,381,660)
Reconciliation of Loss for the half-year 30 June 2005				
Total Revenue from ordinary activities		689,214		689,214
Depletion Costs	a	(454,879)	(4,698)	(459,577)
Exploration expenditure written off		(4,212,902)	(17,621)	(4,230,523)
Carrying value of assets sold		(39,862)		(39,862)
Depreciation expenses		(11,666)		(11,666)
Other expenses from ordinary activities		(620,166)		(620,166)
Loss from ordinary activities before income tax expense		(4,650,261)	(22,319)	(4,672,580)

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

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

Directors' declaration

In the opinion of the directors Golden Gate Petroleum Limited ("the company"):

1. the financial statements and notes set out on pages 8 to 25, are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Perth (City) this 16th day of March 2006.

Signed in accordance with a resolution of the directors:



Mark Freeman
Director

Independent review report to members of Golden Gate Petroleum Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Golden Gate Petroleum Ltd (the company) and the entities it controlled during the six months, and the directors' declaration for the company, for the half-year ended 31 December 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

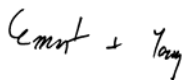
Independence

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

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Golden Gate Petroleum Ltd and the entities it controlled during the half-year ended 31 December 2005 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



V W Tidy
Partner
Perth
16 March 2006