

GOLDEN GATE
PETROLEUM LTD



CORPORATE DIRECTORY

DIRECTORS

Frank Petruzelli

(Chairman, non executive)

Sam Russotti

(Managing director)

Craig Ian Burton

(Non executive)

SECRETARY

Mark Freeman

REGISTERED OFFICE

Ground Floor, 8 Colin St
West Perth, Western Australia 6005
Telephone: (08) 9324 1177
Facsimile: (08) 9324 2171
Email: admin@ggpl.com.au
Website: www.ggpl.com.au

SOLICITORS

Blakiston & Crabb

1202 Hay Street
West Perth, Western Australia 6005

AUDITORS

Ernst & Young

11 Mounts Bay Road
Perth, Western Australia 6000

SHARE REGISTRY

Advanced Share Registry Services
110 Stirling Highway
Nedlands, Western Australia 6009
Telephone: 08 9389 8033
Facsimile: 08 9389 7871

AUSTRALIAN STOCK EXCHANGE CODES

GGP (Ordinary Shares)

GPO (Options)

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OPERATIONAL

- The PIJV tied in one of the deep wells (La Playa Deep – 1) increasing the number of producing wells from 2 to 3.
- On 1 July 2005 the Company secured operatorship of the Padre Island Joint Venture by acquiring Novus Oil & Gas Texas LLC and Novus Nevada LLC.
- With effect as of 1 August 2005 Lodore Resources Inc (listed on the London Stock Exchange with a market capitalisation of more than A\$211 million) joined the Padre Island Joint Venture.
- The Company sold one half of its exploration interests in Padre Island to Lodore Resources Inc for US\$420,000 while retaining all its interests in the producing properties.

CORPORATE

- In November 2004, 6.6m shares were issued at 30 cents for total proceeds of \$2,000,000 (excluding costs).
- In July 2005 the Company acquired Novus Oil & Gas Texas LLC and Novus Nevada LLC for consideration of US\$1,000,000.

“The **Padre Island** Joint Venture (PIJV) tested two deep wells, both **deep wells flowed gas** confirming the presence of a working hydrocarbon system.”

“Golden Gate Petroleum Ltd (“Golden Gate”) ended the year in a manner that places it in a strong position to commence the drilling of a number of high impact exploration wells on its Padre Island acreage.”

DEAR SHAREHOLDERS

With effect from 1 July 2005 Golden Gate acquired all of Novus' Padre Island Interests in the Padre Island Leases and as a consequence of that acquisition is now the operator of the joint venture that owns the rights to the intermediate depths. This acreage contains four prospective targets that have been fully mapped and are ready to be drilled. These four prospects are estimated to have potential p50 volumes totalling more than 862 bcf.

As part of its acquisition of the Novus interest, Golden Gate has formed an alliance with Lodore Resources Inc (“Lodore”), a UK listed company currently capitalised at ~A\$211m. The management and board of Lodore have the same aims of drilling wells and evaluating the Padre Island prospects as quickly as possible, as do the Board and management of Golden Gate. Under the terms of the alliance Lodore will purchase one half of the exploration interests now held by Golden Gate for a consideration equivalent to that paid by Golden Gate for those interests. Golden Gate will retain all of the production

interests it acquired from Novus. This means that Golden Gate has boosted its income by more than trebling its previous share of production and has attracted a joint venture partner with the financial capacity and the will to complete the Padre Island drilling program.

Since becoming operator, the Company has re-commenced the preparation of applications for drilling permits and these are now well advanced. Subject to the availability of suitable drilling rigs, Golden Gate anticipates that it will commence drilling in January 2006.

The next twelve months promise to be an active and exciting year and I look forward to it with great anticipation.

I would like to express my thanks to the Company's staff, consultants and fellow Board members, whose dedication and hard work made the progress over the past year possible. Especially I would like to thank Mr. Craig Burton, who has decided not to stand for re-election to the board. Mr. Burton's contribution to the growth and advancement of Golden Gate has been highly valued

and appreciated. On behalf of the board and our shareholders, I thank and wish him well in his future endeavours.

I thank shareholders for your continuing support and look forward to welcoming you to the Annual General Meeting of the Company.



Sam Russotti - Managing Director

ANNUAL SALES (NET TO GOLDEN GATE)

| | 2005 | 2004 |
|-------------------------|--------|--------|
| GAS: mcf | 73,300 | 78,997 |
| OIL/CONDENSATE: Barrels | 498 | 405 |

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PADRE ISLAND

“Padre Island, located in Texas on the Gulf of Mexico coastline, is a proven hydrocarbon producing area.”

PADRE ISLAND JOINT VENTURE

On 29 July 2005 the Company completed the acquisition of Novus Nevada LLC and Novus Oil and Gas Texas LLC from Medco Energi International for a consideration of US\$1 million. As a result of the acquisition Golden Gate now acquired all of Novus’ interests in the Padre Island Project and leases.

Importantly this acquisition effectively resulted in Golden Gate becoming the operator of the majority of the leases within

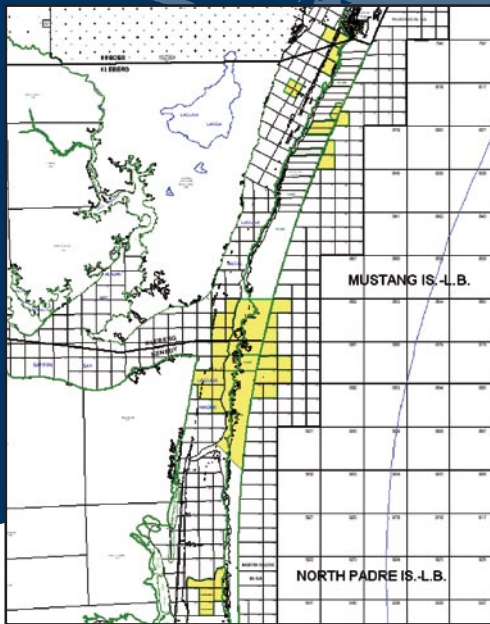
the Padre Island Project and for the first time since its involvement in this Project more than four years ago.

With effect from 1 August 2005 Golden Gate sold one half of its interests in the exploration acreage to Lodore Resources Inc.

The impact of the above transactions has increased Golden Gates interests from 10% to the levels detailed in the following table:

| PADRE ISLAND JOINT VENTURE PARTICIPATING INTERESTS | | | | |
|--|-----|--------|---------|-----|
| PRODUCTION FIELDS | GGP | LODORE | MITSUMI | BNP |
| La Playa field (local private company KCS has a 20% interest) | 40% | - | 15% | 25% |
| West Bird field | 50% | - | 20% | 30% |
| La Playa Deep | 80% | - | 20% | - |
| PROSPECTS | GGP | LODORE | MITSUMI | BNP |
| Murdock South and Plum Deep* | 50% | 50% | - | - |
| Manzano* | 40% | 40% | 20% | - |
| Kingsway* | 50% | 50% | - | - |
| Wilson* | 40% | 40% | 20% | - |
| Lemon Seed prospect (deep) * | 25% | 25% | 20% | 30% |
| Ultra deep sections * | 25% | 25% | 20% | 30% |
| Shallow leases over the Hook, Fault/County Line, El Mar and Dunn Deep areas* | 10% | - | - | 90% |
| All other leases (including all identified Deep prospects excluding Lemon Seed; the balance of the Shallow leases excluding those noted above; the Tomato gas field. | 40% | 40% | 20% | - |

* GGP AS OPERATOR



| PROSPECT NAME | CURRENT ANTICIPATED START DATE |
|---------------|--------------------------------|
| Plum Deep | January 2006 |
| Manzano | March 2006 |
| Murdock South | May 2006 |

FIGURE 1 – LOCATION OF PROJECT
 THE PROJECT IS LOCATED IN TEXAS, USA
 ON THE GULF OF MEXICO COASTLINE

LOCATION

Padre Island, located in Texas on the Gulf of Mexico coastline, is a proven hydrocarbon producing area. The Project has 87 drilling leases, covering an estimated area of 32,000 acres along Padre Island.

Extensive evaluation of the prospects including a \$10 million study by BP conducted in 2003 has confirmed the prospects as valid high quality exploration targets. Every well drilled to date by the joint venture has tested or flowed gas with three wells currently in commercial production.

The acquisition includes Novus' interest in the three currently producing gas wells (La Playa #1, West Bird #1 and La Playa Deep #1), over the past quarter gross production from these wells has exceeded 195 million cubic feet of gas and 2,110 barrels of oil. Apart from the currently producing zones, La Playa #1 and La Playa Deep #1 each have at least one more zone to test and complete. The Company intends to retain all of the acquired interest in these wells but will aim to reduce its drilling costs by farming out the exploration prospects while still retaining a significant interest of 20% to 30%. Discussions with parties who have shown a strong interest in the prospects are in progress.

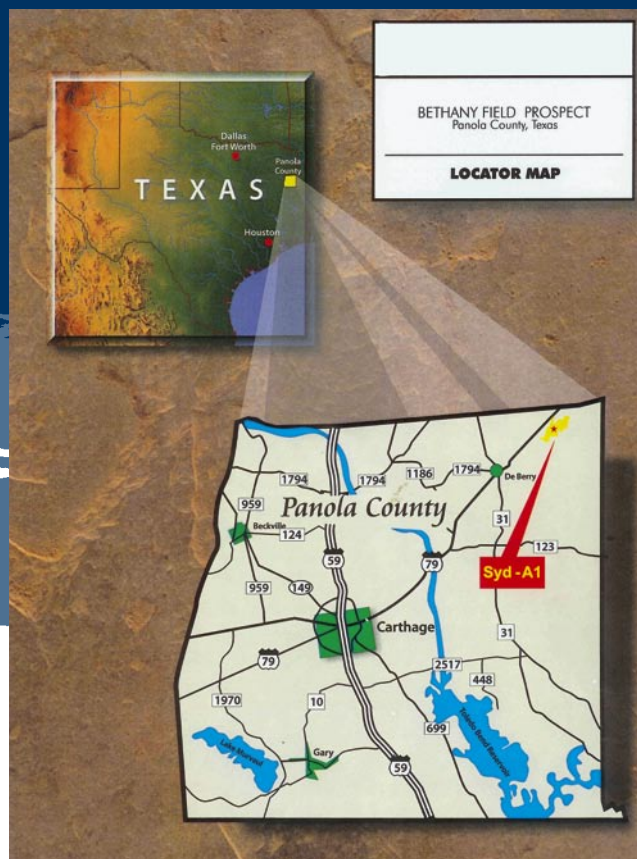
In addition to a number of shallow plays in the 5 to 10 bcf range, the leases contain a large number of deeper exploration targets that vary in potential size from 90 bcf to more than 400 bcf. These prospects are ready to drill, subject to rig availability and obtaining drilling location permits.

Applications for drilling locations are well advanced for three of the deeper exploration targets; being Plum, Murdoch South and Manzano, with the first drill location expected to be approved by the relevant authorities by December 2005.

Over the past four years factors beyond the control of the Company, primarily because of its minority interest holding, has delayed the drilling program. Now that the Company has increased its interests and secured operatorship it plans to accelerate the drilling program.

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BETHANY PROJECT



INTRODUCTION

The Company owns the shallow rights to 2,336 acres of oil and gas leases in Panola County east Texas via a 100% working interest in the NE Bethany Water Flood Unit #3, a shut-in oil field. Golden Gate's rights were believed to extend from the surface to approximately 3,990 feet. Wells drilled on adjacent leases show the presence of up to four gas zones and three oil zones within that interval. All of the existing sixteen wells within the leases were drilled for the purpose of producing from the oil zones and therefore have not had any significant impact on potential reserves within the gas zones.

LOCATION

The leases which are located approximately 35 kilometers south of Shreveport adjacent to the Texas/Louisiana border.

Because of existing infrastructure in the area the Bethany wells are comparatively cheap to drill and complete with short lead times to production. These factors result in attractive economics, especially in today's environment of high gas and oil prices.

DRILLING

During the past year the Company drilled three wells on its Bethany acreage. All three wells flowed gas on initial testing and were tied into production facilities. Subsequent title work has raised doubts as to who actually holds title to the shallow zones in the three leases drilled so far. To date the issues pertaining to Syd A2 have been resolved and this well is on production. Discussions with parties who may have claims are ongoing and it is anticipated that a resolution will be reached that will enable the Company to recommence production from the other two wells.

The title situation is complicated by the large number of small leases within the Bethany Water Flood Unit and the very long history of title transactions onshore East Texas. Until the issues of title are resolved to the satisfaction of the Company future drilling plans will be confined to targeting the three oil zones in which the Company is comfortable that there are no title issues.



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The Directors of Golden Gate Petroleum Ltd ("Golden Gate") present their report for the financial year ended 30 June 2005.

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.

Frank Petruzzelli (Chairman, Non-Executive)

Mr Petruzzelli is a principal of MDB & Co, an Australian accounting firm and has been a director of Golden Gate Resources Limited (GGR) since May 2001. He is an accounting and management services specialist and advises many ASX listed companies and large private organisations. Mr Petruzzelli has been a director of the Company since the merger with GGR on 30 June 2003.

Mr Petruzzelli is currently a director for Orchard Petroleum Ltd (appointed December 2001).

Sam Russotti, BSc (Managing Director)

Mr Russotti is a geologist with more than 30 years experience in the petroleum industry. He has been executive director of GGR since May 2001, after ten years as general manager and finance manager of Cultus Petroleum.

Previously, he was planning manager for Peko Oil Ltd from 1987-90. Mr Russotti has been a director of the Company since the merger with GGR on 30 June 2003.

Craig Burton, LLB, BJuris (Non-Executive)

Mr Burton has extensive business experience in the natural resources sector and in managing publicly listed companies. He has a track record of providing corporate and financial backing to successful resource projects and technical teams. Over the past 12 years, he has co-founded and assisted the public listing of numerous resource companies and he remains a substantial and active investor in the resources sector.

His experience in the resources sector covers projects in numerous locations including Australia, Africa, central Europe and Brazil with capital raisings for such projects undertaken in Australia, London and Canada.

Mr Burton is currently a corporate director of Albidon Limited (appointed 2 June 2002), Mirabela Nickel Ltd (appointed 5 March 2004) and Livingstone Petroleum Ltd (appointed 17 December 2004) and a director of Liberty Gold NL (7 November 2003) and Exco Resources NL (appointed 28 August 2002).

Over the past three years he has also been a director of Halcyon Group Limited (appointed 1 July 2002, resigned 24 November 2004), Oriel Communications Ltd (appointed 7 July 2000, resigned 11 April 2003), Sally Malay Mining Ltd (appointed 28 October 2004, resigned 8 March 2005) and West Oil NL (appointed 13 March 1997, resigned 10 April 2003). He is a member of the Australian Institute of Company Directors.

Company Secretary

Mark Freeman BCom, CA, ASIA

Mr Freeman has extensive experience in capital markets with a focus on resource focussed companies.

Mr Freeman has been the company secretary of the Company since 2001. Prior to holding this position he worked for Andersen and ERG. Mr Freeman holds a Bachelor of Commerce degree from the University of Western Australia, is an Associate of the Securities Institute of Australia and is a member of the institute of Chartered Accountants.

Mr Freeman is currently a Non-Executive Director of Liberty Gold NL (appointed 17 June 2004) and Ming Resources PLC (appointed 24 February 2005).

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

As at the date of this report, the interests of the Directors in the shares and options of Golden Gate Petroleum Ltd ("the Company") were:

| | Ordinary Shares | Options over Ordinary Shares | | | |
|------------------|-----------------|------------------------------|-----------|------------|---------------------|
| | | Listed | Un-Listed | Expiry | Exercise price (\$) |
| Sam Russotti | 272,3621 | - | 480,000 | 31/05/2006 | 0.20 |
| | | | 480,000 | 18/02/2007 | 0.44 |
| | | | 700,000 | 11/8/2006 | 0.30 |
| | | | 400,000 | 1/12/2008 | 0.33 |
| Craig Burton | 2,055,070 | 76,923 | - | 31/12/2006 | 0.65 |
| Frank Petruzelli | 51,520 | - | 480,000 | 31/05/2006 | 0.20 |
| | | | 300,000 | 1/12/2008 | 0.33 |

1: 201,482 of these shares are held by Mr Russotti on behalf of other people and are not beneficially owned by Mr Russotti.

Directors' Meetings

The number of Directors' meetings (including committees) held during the financial year each director held office and the number of meetings attended by each Director are:

| Director | Directors Meetings | | Audit Committee Meetings | |
|------------------|--------------------|---------------------------|--------------------------|---------------------------|
| | Meetings Attended | Number Eligible to Attend | Meetings Attended | Number Eligible to Attend |
| Frank Petruzelli | 7 | 7 | 2 | 2 |
| Sam Russotti | 7 | 7 | - | - |
| Craig Burton | 7 | 7 | 2 | 2 |

Principal Activities

The principal activities of the entities within the Consolidated Entity during the financial year were hydrocarbon production and exploration in the United States of America.

Results and Dividends

The Consolidated Entity's loss after tax attributable to members of the Company for the financial year ending 30 June 2005 was \$4,650,261 (2004: \$1,276,137).

No dividends have been paid or declared by the Company during the year ended 30 June 2005.

Review of Operations

A detailed review of the Company's exploration activities is contained in the Review of Operations section of this Annual Report.

Earnings Per Share

The basic loss per share for the Company for the year was 3.40 cents per share.

Corporate Structure

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

Company Share Performance & Shareholder Wealth

During the financial period the Company's share price traded between a low of 15 cents and a high of 36 cents. The price volatility is a concern to the Board but is not considered abnormal for a junior oil & gas explorer such as Golden Gate Petroleum Ltd. In order to keep all investors fully-informed and minimise market fluctuations the Board is determined to maintain promotional activity amongst the investment community so as to increase awareness of the Company.

Employees

At the end of the year, the Company had one full time employee (2004: 1).

Share Options

Shares issued as a result of the exercise of options

During and since the end of the financial year no shares were issued as a result of the exercise of options.

Unissued Shares

As at the date of the report, there were 42,451,369 unissued ordinary shares under option (41,446,629 as at 30 June 2004 pre consolidation) as follows:

| Number of Options | | Exercise Price | Expiry Date |
|-------------------|---------------|----------------|-------------|
| 28,466,369 | Listed (GGPO) | \$0.65 | 31-Dec-06 |
| 960,000 | Unlisted | \$0.20 | 31-May-06 |
| 11,000,000 | Unlisted | \$0.30 | 11-Aug-06 |
| 800,000 | Unlisted | \$0.44 | 18-Feb-07 |
| 25,000 | Unlisted | \$0.32 | 2-Mar-07 |
| 200,000 | Unlisted | \$0.33 | 19-Aug-08 |
| 1,000,000 | Unlisted | \$0.33 | 1-Dec-08 |
| 42,451,369 | | | |

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

Remuneration Report

This Remuneration Report outlines the remuneration arrangements which were in place during the year, and remain in place as at the date of this report, for the Directors and executives of Golden Gate Petroleum Ltd.

Remuneration Policy

Golden Gate Petroleum Ltd aims to ensure that the level and composition of remuneration of its Directors and executives is sufficient and reasonable for the competitive sector in which the Company operates. Golden Gate Petroleum Ltd has adopted a Remuneration Policy to attract and retain talented and motivated personnel in order to achieve enhanced performance of the Company. The Board is responsible for determining and reviewing compensation arrangements for the Directors and the executive team.

The Remuneration details of each Director during the year are set out in the table under Directors and Officers Emoluments. There are no executive officers of the economic entity other than those listed.

Executive Directors

The Remuneration of Golden Gate Petroleum Ltd's Executive Directors comprises some or all of the following elements: fixed salary; short-term incentive bonus based on performance; long-term incentive share and/or option scheme; and other benefits including motor vehicle allowances, employment insurances and superannuation contributions. In relation to the payment of bonuses, share option and other incentive amounts, discretion is exercised by the Board having regard to the overall performance of the Company and of the relevant individual during the period. Mr Russotti is currently engaged as a full time employee. During the year Mr Russotti had a base salary of \$140,000 per annum plus superannuation of 9% and the provision of a motor vehicle. Mr Russotti also received, following shareholder approval, an option package which brought his employment package to a competitive industry remuneration level. His employment agreement may be terminated with two month's notice following which the Company is liable to pay any outstanding wages, superannuation and leave accruals.

Remuneration Policy *continued*

Non-Executive Directors

The remuneration of Golden Gate Petroleum Ltd's Non-Executive Directors comprises cash fees, superannuation contributions and equity or option of the Company given Golden Gate Petroleum Ltd's size, focussed nature of business and shareholding structure.

Any securities issued to directors are approved by shareholders to enhance overall shareholder wealth creation. As required by the Corporations Act and the Company's Constitution, shareholders last approved the maximum aggregate remuneration for Non-Executive Directors at \$100,000 per year.

Directors and Officers Emoluments*

The following table sets out remuneration paid to directors and senior executives of the Consolidated Entity during the reporting period.

| | Primary | | Post employment | | | Other | Total \$ |
|-----------------------------|------------------------|------------------------------------|---------------------------------------|-------------------------------|--------------------------------|-----------------------------|----------------|
| | Salary & fees \$ | Non- monetary benefits \$ | Super- annuation benefits \$ | Value of options (A) \$ | Options as % of total \$ | Insurance premiums \$ | |
| Specified directors | | | | | | | |
| Mr F Petruzzelli | 34,685 | - | 315 | 36,780 | 49% | 3,000 | 74,780 |
| Mr C Burton | 35,000 | - | - | - | - | 3,000 | 38,000 |
| Mr S Russotti, MD | 140,000 | 11,592 | 12,600 | 49,049 | 23% | 3,000 | 216,241 |
| Total | 209,685 | 11,592 | 12,915 | 85,829 | - | 9,000 | 329,021 |
| Specified executives | | | | | | | |
| Mr M Freeman | 48,000 | - | - | 17,800 | 27% | - | 65,800 |

(i) *Non-monetary benefits relate to the provision of a motor vehicle.*

Valuation of Director Options

The options have been valued using the Black & Scholes Model by the Company's advisers and based upon the following assumptions:

- (i) the options expire 1 December 2008 and are all exercisable at 33 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, being was 29.5 cents;
- (iii) a common volatility factor of 50%;
- (iv) an interest rate of 5.34%;
- (v) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation;
- (vi) the valuation date for the options was 7 October 2004; and
- (vii) grant date of 30 November 2004

Based on the assumptions the estimated value of options issued to the Directors is 12.26 cents per option.

Valuation of Executive Options

The options have been valued using the Black & Scholes Model by the Company's advisers and based upon the following assumptions:

- (i) the options expire 19 August 2008 and are exercisable at 33 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, being was 30 cents;
- (iii) Volatility of 50% based on share volatility for the period post re-listing on 15 August 2003 to 19 August 2004. For options with a three year period in the volatile oil and gas exploration industry a volatility of 50% is considered reasonable.
- (iv) an interest rate of 5.655%;
- (v) A discount of 30% for the options not being listed;
- (vi) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation; and
- (vii) the valuation date for the options was 19 August 2004.

Based on the assumptions it is considered that the estimated value of options is 8.89 cents per option.

Notes

- * The elements of emoluments have been determined on the basis of the cost to the Company and the consolidated entity.
- # Executives are those directly accountable and responsible for the operational management and strategic direction of the Company and the consolidated entity.

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 19 August 2004, 200,000 Options exercisable at 33 cents on or before 19 August 2008 were issued to the Company Secretary as a performance incentive.
- Following shareholder approval on 1 December 2004 1,000,000 Options exercisable at 33 cents on or before 1 December 2008 were issued to the Mr Russotti (400,000), Mr Petruzzelli (300,000) and Mr Boyd (300,000) as performance incentives.
- On 19 November 2004 the Company issued 6,667,066 shares at 30 cents each to raise \$2 million from overseas based institutional investors.
- On 3 May 2005 the Company issued 10,000 shares at 20 cents and 5,000 free attaching options raising \$2,000.

Significant Events after Balance Date

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial years, except for:

On 1 August 2005 the Company announced that on 29th July 2005 it completed the acquisition of Novus Nevada LLC and Novus Oil and Gas Texas LLC from Medco Energi International for a consideration of US\$1 million. The Board further announced on 26 September 2005 the Company had finalised a 50% farmdown of exploration interests to Lodore Resources Inc (listed on the LSE) for a consideration of \$420,000 in the exploration properties as set out in the table below:

| Padre Island Joint Venture Participating Interests | | | | |
|--|------------|---------------|----------------|------------|
| | GGP | Lodore | MITSUMI | BNP |
| Production Fields | | | | |
| La Playa field (local private company KCS has a 20% interest) | 40% | - | 15% | 25% |
| West Bird field | 50% | - | 20% | 30% |
| La Playa Deep | 80% | - | 20% | - |
| Prospects | | | | |
| Murdock South and Plum Deep* | 50% | 50% | - | - |
| Manzano* | 40% | 40% | 20% | - |
| Kingsway* | 50% | 50% | - | - |
| Wilson* | 40% | 40% | 20% | - |
| Lemon Seed prospect (deep)* | 25% | 25% | 20% | 30% |
| Ultra deep sections* | 25% | 25% | 20% | 30% |
| Shallow leases over the Hook, Fault/County Line, El Mar and Dunn Deep areas* | 10% | - | - | 90% |
| All other leases (including all identified Deep prospects excluding Lemon Seed; the balance of the Shallow leases excluding those noted above; the Tomato gas field. | 40% | 40% | 20% | - |

* GGP as Operator

Significant Events after Balance Date *continued*

Funding of the Transaction

The Company arranged an unsecured US\$1 million debt facility from Sampala Investments Pty Ltd ("Sampala"), a company in which Mr Craig Burton is a director, to fund the acquisition. The terms of this facility are:

1. The loan will bear interest at 8% pa accrued monthly;
2. A loan establishment fee of 4% is payable;
3. The loan and interest is repayable upon Golden Gate completing any capital raisings or 6 months after the loan is drawn down it is repayable on demand by Sampala; and
4. Golden Gate will use best endeavours to undertake a capital raising or farm down these interest as soon as practicable following completion of the acquisition in order to repay the loan.

Auditor Independence and Non-Audit Services

Section 307C of the Corporations Act 2001 requires the Company's and consolidated entity's auditors to provide the Directors of Golden Gate Petroleum Ltd with an Independence Declaration in relation to the audit for the full-year financial report. This Independence Declaration is attached to the Directors' Report. No non-audit services were provided by the Company and consolidated entity's auditor.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Golden Gate Petroleum Ltd support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Stock Exchange Corporate Governance Council, and considers that Golden Gate Petroleum Ltd is in compliance with those guidelines which are of importance to the commercial operation for a junior listed resource Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. A Corporate Governance Statement is included as part of this report. The Corporate Governance Policy and the Charter for the Board's sub-committee are available on the Company's website at www.ggpl.com.au

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.

Likely Developments and Expected Results

The Company and consolidated entity will continue with the development of its interest in the Padre Island Joint Venture and of its wholly owned Bethany leases.

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.

Environmental Regulations & Performance

The Company and consolidated entity's operations are subject to environmental regulations in relation to its exploration activities. Company management monitors compliance with the relevant environmental legislation. The Directors are not aware of any breaches of the legislation during the period covered by this report.

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 purchased an annual insurance policy insuring each of the Directors and officers against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law and in accordance with the policy.



Sam Russotti
Director

Perth, 30 September 2005



■ The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

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

In relation to our audit of the financial report of Golden Gate Petroleum Limited for the financial year ended 30 June 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.

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

Ernst & Young

A handwritten signature in black ink that reads 'V. W. Tidy'.

V W Tidy
Partner
Perth
30 September 2005

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

- a) The financial statements and the notes of the Company and consolidated entity are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2005 and of its performance for the period ended that date; and
 - ii. Complying with Accounting Standards and Corporations Regulations 2001; and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c) 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 period ending 30 June 2005.

Signed on behalf of the Board.



Sam Russotti

Director

Perth, 30 September 2005

STATEMENT OF FINANCIAL PERFORMANCE

Year ended 30 June 2005

| | Notes | CONSOLIDATED | | PARENT | |
|--|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| Revenues from ordinary activities | 2 | 689,214 | 1,044,400 | 104,584 | 322,998 |
| Write down of exploration and evaluation expenditure | | (4,212,902) | (1,194,728) | - | - |
| Carrying amount of assets sold | | (39,862) | (150,022) | (39,862) | (55,592) |
| Amortisation of production assets | | (454,879) | (449,059) | - | - |
| Write down of investments in subsidiary | | - | - | (4,045,098) | - |
| Write down of intercompany loans | | - | - | (174,000) | (1,262,592) |
| Depreciation expense | | (11,666) | (15,697) | (10,561) | (12,127) |
| Administration costs | | (620,166) | (491,800) | (506,081) | (290,982) |
| Borrowing costs | | - | (19,231) | - | (39) |
| Loss from ordinary activities before income tax expense | | (4,650,261) | (1,276,137) | (4,671,018) | (1,298,334) |
| Income tax expense relating to ordinary activities | 3 | - | - | - | - |
| Net loss attributable to members of Golden Gate Petroleum Ltd | 14 | (4,650,261) | (1,276,137) | (4,671,018) | (1,298,334) |
| Share issue costs | 12(a) | (14,107) | (359,820) | (14,107) | (359,820) |
| Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Golden Gate Petroleum Ltd | | (4,664,368) | (1,635,957) | (4,685,125) | (1,658,154) |
| Basic loss per share (cents per share) | 13 | (3.4) | (1.0) | | |
| Diluted loss per share (cents per share) | 13 | (3.4) | (1.0) | | |

The statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

| | Notes | CONSOLIDATED | | PARENT | |
|---|--------|-------------------|-------------------|-------------------|-------------------|
| | | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| Current assets | | | | | |
| Cash assets | | 1,110,656 | 1,451,807 | 671,959 | 1,230,326 |
| Receivables | 4 | 145,597 | 206,047 | 10,483 | 9,951 |
| Other | 5 | 51,346 | 298,383 | 41,450 | 42,550 |
| Other financial assets | 6 | 1,844 | 41,706 | 1,844 | 41,706 |
| Total current assets | | 1,309,443 | 1,997,943 | 725,736 | 1,324,533 |
| Non-current assets | | | | | |
| Investments in controlled entities | 7 | - | - | 13,549,030 | 17,594,129 |
| Receivables | 4 | 85,072 | 72,482 | 5,143,418 | 3,148,879 |
| Plant and equipment | 8 | 39,763 | 50,735 | 35,358 | 45,225 |
| Deferred exploration and evaluation expenditure | 9 | 18,169,116 | 20,190,958 | - | 69,868 |
| Total non-current assets | | 18,293,951 | 20,314,175 | 18,727,806 | 20,858,101 |
| Total assets | | 19,603,394 | 22,312,118 | 19,453,542 | 22,182,634 |
| Current liabilities | | | | | |
| Payables | 10 | 178,555 | 236,453 | 52,469 | 106,968 |
| Provisions | 11 | 16,154 | 7,622 | 16,154 | 7,622 |
| Total current liabilities | | 194,709 | 244,075 | 68,623 | 114,590 |
| Non current liabilities | | | | | |
| Provisions | 11 | 23,766 | 20,756 | - | - |
| Total non current liabilities | | 23,766 | 20,756 | - | - |
| Total liabilities | | 218,475 | 264,831 | 68,623 | 114,590 |
| Net assets | | 19,384,919 | 22,047,287 | 19,384,919 | 22,068,044 |
| Equity | | | | | |
| Contributed equity | 12 | 29,069,158 | 27,081,265 | 29,069,158 | 27,081,265 |
| Option premium reserve | 14(ii) | 480,000 | 480,000 | 480,000 | 480,000 |
| Accumulated losses | 14 | (10,164,239) | (5,513,978) | (10,164,239) | (5,493,221) |
| Total equity | | 19,384,919 | 22,047,287 | 19,384,919 | 22,068,044 |

The statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

Year ended 30 June 2005

| | Notes | CONSOLIDATED | | PARENT | |
|--|-------|--------------------|--------------------|------------------|------------------|
| | | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| Cash flows from operating activities | | | | | |
| Interest received | | 20,582 | 61,551 | 20,161 | 61,169 |
| Cash receipts in the course of operations | | 623,565 | 779,862 | - | - |
| Interest paid | | (422) | (19,231) | (432) | - |
| Cash payments in the course of operations to suppliers | | (506,993) | (547,751) | (379,837) | (251,992) |
| Net cash from / (used in) operating activities | 15(a) | 136,732 | 274,431 | (360,108) | (190,823) |
| Cash flows from investing activities | | | | | |
| Payments for exploration, evaluation and development expenditure | | (2,801,863) | (2,570,564) | - | (69,868) |
| Payment for prospects | | - | (458,718) | - | - |
| (Advances to)/applied by joint venture operators | | 245,937 | (255,833) | - | - |
| Payments for plant and equipment | | (694) | (66,432) | (694) | (57,352) |
| Security deposits | | (12,590) | (72,482) | - | - |
| Proceeds from sale of exploration interests | | 102,000 | 200,000 | 2,000 | 150,000 |
| Proceeds from sale of listed securities | | 82,423 | 57,829 | 82,423 | 57,829 |
| Proceeds from disposal of controlled entities (net of cash disposed) | 15(c) | - | 2 | - | - |
| Payments associated with purchase of subsidiaries | | - | (134,194) | - | - |
| Purchase of listed securities | | - | (3,000) | - | (3,000) |
| Net cash (used in) / from investing activities | | (2,384,787) | (3,303,392) | 83,729 | 77,609 |
| Cash flows from financing activities | | | | | |
| Proceeds from issue of shares | | 2,002,000 | 4,100,000 | 2,002,000 | 4,100,000 |
| Share issue costs | | (14,107) | (359,820) | (14,107) | (359,820) |
| Repayment of loan to unrelated parties | | - | (1,283,199) | - | - |
| Advances to related parties | | - | - | (2,166,849) | (4,174,312) |
| Net cash from/(used in) financing activities | | 1,987,893 | 2,456,981 | (178,956) | (434,132) |
| Net decrease in cash held | | (260,162) | (571,980) | (455,335) | (547,346) |
| Effects of exchange rate changes on cash | | (80,989) | 39,747 | (103,032) | - |
| Cash at the beginning of the financial year | | 1,451,807 | 1,984,040 | 1,230,326 | 1,777,672 |
| Cash at the end of the financial year | 15(b) | 1,110,656 | 1,451,807 | 671,959 | 1,230,326 |

The statement of cash flows should be read in conjunction with the accompanying notes.

1. Summary of Significant Accounting Policies

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The financial report has been prepared in accordance with the historical cost convention.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

(c) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising Golden Gate Petroleum Ltd (the parent Company) and all entities that Golden Gate Petroleum Ltd controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the Consolidated Entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Translation of financial reports of overseas operations

All overseas operations are deemed to be integrated, as they are financially and operationally dependent on Golden Gate Petroleum Ltd. Their financial reports are translated using the temporal method and exchange differences are taken directly to the Statements of Financial Performance.

(e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of any outstanding bank overdrafts.

(f) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors to be settled within 30 days are carried at amounts due.

(g) Investments

Investments in subsidiaries are carried at the lower of cost and recoverable amount. Listed shares are held at the lower of cost and net realisable value.

(h) Plant and equipment

Cost and valuation

All classes of property, plant and equipment are measured at cost.

Depreciation

Property, plant and equipment have limited useful lives and are depreciated using both straight line and diminishing value method over their estimated useful lives beginning from the date of acquisition. The depreciation rates used for each class of asset range between 22.5% to 40% (2004: 22.5% to 50%).

(i) Joint venture operations

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

The Consolidated Entity does not have any interests in joint venture entities.

(j) Exploration, evaluation, development and restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

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.

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

Restoration

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs relate mainly to obligations for the restoration of operational sites.

These estimates of the restoration obligations are based on existing technology and legal requirements and future costs, which have not been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Government legislation in relation to restoration of such sites in the future.

Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining the recoverable amount, the expected net cash flows have not been discounted.

(k) Other non-current assets

Receivables

Receivables expected to be realised more than one year after the end of the financial year are discounted to the net present value at an appropriate discount rate, being the Company's incremental borrowing rate.

(l) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

Payables to related parties are carried at the principal amount.

(m) Interest bearing liabilities

Bank loans are recognised at their principal amount, subject to set-off arrangements. Interest expense is accrued at the contracted rate.

Debentures, bills of exchange and notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity. Interest expense is recognised on an effective yield basis.

(n) Provisions

Provisions are recognised when the Consolidated Entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before reporting date.

(o) 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 share proceeds received.

1. Summary of Significant Accounting Policies *continued*

(p) Revenue recognition

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

Sale of goods and assets

Control of the goods and assets has passed to the buyer.

Interest

Control of the right to receive the interest payment.

(q) Taxes

Income taxes

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit/loss after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between the profit/loss and the taxable income/loss. The tax effect of timing differences which arises from the recognition in the accounts of items of revenue and expenses in periods different from those in which they are assessable or allowable for income tax purposes, are represented in the statement of financial position as future income tax benefits or provision for deferred income tax, as the case may be at current tax rates. A future income tax benefit attributable to timing differences is only carried forward as an asset where realisation of the benefit can be regarded as being assured beyond reasonable doubt. A future income tax benefit relating to tax losses is only carried forward as an asset where realisation of the benefit can be regarded as virtually certain.

Goods and Services Tax (GST)

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

- where 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 are stated with the amount of GST included.

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

The Company does not operate a superannuation scheme. Contributions are made to employees scheme in accordance with legal requirements in Australia and their employment contracts.

The Company does not have an employee share option plan. Options issued during the year and disclosed in Note 11 are not being recognised as an employee benefits expense.

(s) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
 - the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
 - other non-discretionary changes in revenues or 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) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

(u) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

| | CONSOLIDATED | | PARENT | |
|--|----------------|------------------|----------------|----------------|
| | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| 2. Revenue, Expenses and Losses/Gains | | | | |
| (a). REVENUE FROM ORDINARY ACTIVITIES | | | | |
| Revenue from operating activities | | | | |
| Sales revenue | 584,210 | 516,327 | - | - |
| Revenues from non-operating activities | | | | |
| Interest | 20,581 | 61,551 | 20,161 | 61,169 |
| Proceeds from sale of non current assets | 2,000 | 354,000 | 2,000 | 204,000 |
| Proceeds from disposal of listed investments | 82,423 | 57,829 | 82,423 | 57,829 |
| Proceeds from disposal of controlled entity | - | 54,693 | - | - |
| Total revenues from non-operating activities | 105,004 | 528,073 | 104,584 | 322,998 |
| Total revenues from ordinary activities | 689,214 | 1,044,400 | 104,584 | 322,998 |
| (b) Expenses | | | | |
| Cost of goods sold (i) | 584,210 | 516,327 | - | - |
| (i) The above costs of goods sold figure includes amortisation expense outlined in Note 9. | | | | |
| (c) Losses/(gains) | | | | |
| Net gain on disposal of mining interests | (2,000) | (208,580) | (2,000) | (153,010) |
| Net gain on disposal of controlled entity | - | (54,693) | - | - |
| Net gain on disposal of listed securities | (42,560) | (42,535) | (42,560) | (42,535) |
| Net foreign currency losses | 83,630 | 42,634 | 173,410 | 10,650 |
| 3. Income Tax | | | | |
| The prima facie tax, using tax rates applicable in the country of operation, on operating loss differs from the income tax provided in the financial statements as follows: | | | | |
| Prima facie tax benefit on loss from ordinary activities: | (1,395,078) | (382,841) | (1,401,305) | (389,501) |
| Tax effect of permanent differences: | | | | |
| Write off of deferred expenditure | 1,263,871 | 358,418 | - | - |
| Provision for diminution in investment | - | - | 1,213,529 | - |
| Write down of loan to related party | - | - | 52,200 | 378,778 |
| Future income tax benefit not bought to account | 131,207 | 24,423 | 135,576 | 10,723 |
| Income tax expense attributable to ordinary activities | - | - | - | - |
| Future income tax benefit not taken to account | | | | |
| The potential future income tax benefit in arising from tax losses and timing differences has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt: | | | | |
| Tax losses carried forward at 30% | 155,630 | 24,423 | 146,299 | 10,723 |
| The potential future income tax benefit will only be obtained if: | | | | |
| (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised; | | | | |
| (ii) the relevant company complies with the conditions for deductibility imposed by the law; and | | | | |
| (iii) no changes in tax legislation adversely affect the relevant company in realising the benefit. | | | | |

For the purposes of income tax, Golden Gate Petroleum Ltd and its 100% owned subsidiaries do not intend to form a tax consolidated group.

| | CONSOLIDATED | | PARENT | |
|---|----------------|----------------|------------------|------------------|
| | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| 4. Receivables | | | | |
| Current | | | | |
| Trade debtors ¹ | 135,114 | 195,921 | - | - |
| Other receivables ³ | 10,483 | 10,126 | 10,483 | 9,951 |
| | <u>145,597</u> | <u>206,047</u> | <u>10,483</u> | <u>9,951</u> |
| Non-Current | | | | |
| Security Deposits ⁴ | 80,253 | 72,482 | - | - |
| Other receivables ³ | 4,819 | - | 4,819 | - |
| Loans to controlled entities ² | - | - | 5,138,599 | 3,148,879 |
| | <u>85,072</u> | <u>72,482</u> | <u>5,143,418</u> | <u>3,148,879</u> |

Terms and conditions

Terms and conditions relating to the above financial instruments.

1. Trade debtors are non-interest bearing and generally on 60 day terms.
2. Related party receivables are non-interest bearing and have no fixed repayment terms.
3. Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
4. Security Deposits are interest bearing and provide security towards performance bonds provided by the Company's bank to state governmental agencies against environmental obligations.

5. Other

| | | | | |
|-------------|--------|---------|--------|--------|
| Prepayments | 51,346 | 298,383 | 41,450 | 42,550 |
|-------------|--------|---------|--------|--------|

6. Other Financial Assets

| | | | | |
|-------------------|-------|--------|-------|--------|
| Listed securities | 1,844 | 41,706 | 1,844 | 41,706 |
|-------------------|-------|--------|-------|--------|

Listed securities are readily saleable with no fixed terms.
Market value of listed securities as at 30 June 2005 was \$4,427 (2004: \$115,886).

| | PARENT | |
|------------------------------------|------------|------------|
| | 2005 \$ | 2004 \$ |
| Investments in controlled entities | 13,549,030 | 17,594,129 |

7. Investments

| | Country of Incorporation | Percentage of Equity Interest held by the Consolidated Entity | | Carrying Value of Investment | |
|------------------------------------|-----------------------------|--|------|---------------------------------|------------|
| | | 2005 | 2004 | 2005 | 2004 |
| | | % | % | \$ | \$ |
| Investments in subsidiaries | | | | | |
| Hardman Range Copper Pty Ltd | Australia | 100 | 100 | - | - |
| Southdale Holdings Pty Ltd | Australia | 100 | 100 | - | - |
| Golden Gate Resources Ltd | Canada | 100 | 100 | 13,549,030 | 17,594,129 |
| Frontier Bonaparte Pty Ltd | Australia | - | - | - | - |
| GGP Exploration Ltd | USA | 100 | 100 | - | - |
| GGR Petroleum LLC | USA | 100 | 100 | - | - |
| Long Flat Ltd | USA | 100 | 100 | - | - |
| | | | | 13,549,030 | 17,594,129 |

Disposals of entities

2004

During the previous financial year, the consolidated entity disposed of all of the ordinary shares of Frontier Bonaparte Pty Ltd.

Details of the disposals are as follows:

| | |
|--|----------|
| Consideration (cash) | 2 |
| Carrying amount of assets and liabilities disposed of | (54,691) |
| Profit on disposal | 54,693 |
| The carrying amount of assets and liabilities disposed of by major class: | |
| Trade creditors | (54,691) |
| Net assets of entity sold | (54,691) |
| Interest held after disposal | - |

The entity was disposed of on 15 May 2004 and the operating results to that date have been included in consolidated operating profit.

| | CONSOLIDATED | | PARENT | |
|---|--------------|------------|----------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| | \$ | \$ | \$ | \$ |
| 8. Plant & Equipment | | | | |
| Office equipment at cost | 15,129 | 14,435 | 6,049 | 5,355 |
| Accumulated depreciation | (7,283) | (4,220) | (2,608) | (650) |
| Total office equipment | 7,846 | 10,215 | 3,441 | 4,705 |
| Motor vehicles at cost | 51,997 | 51,997 | 51,997 | 51,997 |
| Accumulated depreciation | (20,080) | (11,477) | (20,080) | (11,477) |
| Total motor vehicles | 31,917 | 40,520 | 31,917 | 40,520 |
| At cost | 67,126 | 66,432 | 58,046 | 57,352 |
| Accumulated depreciation | (27,363) | (15,697) | (22,688) | (12,127) |
| Total written down amount | 39,763 | 50,735 | 35,358 | 45,225 |
| Reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current financial year: | | | | |
| Office Equipment at Cost | | | | |
| Balance at start of year | 10,215 | - | 4,705 | - |
| Additions | 694 | 14,435 | 694 | 5,355 |
| Depreciation | (3,063) | (4,220) | (1,958) | (650) |
| Balance at end of year | 7,846 | 10,215 | 3,441 | 4,705 |
| Motor vehicles at cost | | | | |
| Balance at start of year | 40,520 | - | 40,520 | - |
| Additions | - | 51,997 | - | 51,997 |
| Depreciation | (8,603) | (11,477) | (8,603) | (11,477) |
| Balance at end of year | 31,917 | 40,520 | 31,917 | 40,520 |
| 9. Deferred Exploration and Evaluation Expenditure | | | | |
| a) Expenditure carried forward in respect of hydrocarbon/ mineral areas of interest | | | | |
| Exploration and evaluation - at cost | 15,213,862 | 18,056,949 | - | 69,868 |
| Production – at cost | 3,859,192 | 2,583,068 | - | - |
| Accumulated amortisation | (903,938) | (449,059) | - | - |
| | 18,169,116 | 20,190,958 | - | 69,868 |

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. Amortisation of the costs carried forward for the development phase is not being recognised pending the commencement of production.

| | CONSOLIDATED | | PARENT | |
|--|-------------------|-------------------|------------|---------------|
| | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| 9. Deferred Exploration and Evaluation Expenditure <i>continued</i> | | | | |
| b) Reconciliation: | | | | |
| Exploration & evaluation phases | | | | |
| Carrying Amount at beginning | 18,056,949 | 15,646,380 | 69,868 | - |
| Additions | 2,387,679 | 3,120,429 | - | 110,166 |
| Transfer to subsidiary | - | - | (69,868) | - |
| Transferred to production | (1,017,865) | - | - | - |
| Carrying amounts of assets sold | - | (134,728) | - | (40,298) |
| Exploration written off | (4,212,902) | (575,132) | - | - |
| Carrying Amount at end | 15,213,861 | 18,056,949 | - | 69,868 |
| Production: | | | | |
| Carrying amount at beginning | 2,134,009 | 3,202,664 | - | - |
| Transferred from Deferred | 1,017,865 | - | - | - |
| Additions | 356,286 | - | - | - |
| Production costs expensed | (98,026) | - | - | - |
| Written off | - | (619,596) | - | - |
| Amortisation | (454,879) | (449,059) | - | - |
| Carrying amount at end | 2,955,255 | 2,134,009 | - | - |
| Total | 18,169,116 | 20,190,958 | - | 69,868 |

10. Payables

| | | | | |
|--------------------------------|---------|---------|--------|---------|
| Trade creditors ⁽¹⁾ | 99,943 | 185,587 | 11,910 | 56,102 |
| Other creditors ⁽²⁾ | 78,612 | 50,866 | 40,559 | 50,866 |
| | 178,555 | 236,453 | 52,469 | 106,968 |

Aggregate amount payable to related parties:

Directors and director related entities:

| | | | | |
|--|---|--------|---|--------|
| - director related entity ⁽ⁱ⁾ | - | 13,650 | - | 13,650 |
|--|---|--------|---|--------|

Terms and conditions

1. Trade creditors are non-interest bearing and generally on 60 day terms.
2. Other creditors are non-interest bearing and have no fixed repayment terms.

(i) Amounts relate to directors fees owing at year end and are payable within 30 days.

| CONSOLIDATED | | PARENT | |
|--------------|------|--------|------|
| 2005 | 2004 | 2005 | 2004 |
| \$ | \$ | \$ | \$ |

11. Provisions

Current

| | | | | |
|-------------------|--------|-------|--------|-------|
| Employee benefits | 16,154 | 7,622 | 16,154 | 7,622 |
|-------------------|--------|-------|--------|-------|

Employee Share Scheme

During the year the Company issued incentive options to directors and consultants as detailed in the table below. The value of these options have not been expensed by the Company:

| Holders | Granted / Vested | Exercise \$ | Expiry | ASX Escrow Restriction | Value per option at Grant Date (\$) | Total |
|-----------------|------------------|-------------|------------|------------------------|-------------------------------------|--------|
| Mr F Petruzzeli | 300,000 | 0.33 | 01/12/2008 | - | 0.123 | 36,780 |
| Mr S Russotti | 400,000 | 0.33 | 01/12/2008 | - | 0.123 | 49,040 |
| Mr D Boyd | 300,000 | 0.33 | 01/12/2008 | - | 0.123 | 36,780 |
| Mr M Freeman | 200,000 | 0.33 | 19/08/2008 | - | 0.089 | 17,800 |

The assumptions used to value these options are detailed in Note 20.

| CONSOLIDATED | | PARENT | |
|--------------|------|--------|------|
| 2005 | 2004 | 2005 | 2004 |
| \$ | \$ | \$ | \$ |

Non Current

| | | | | |
|-----------------------|--------|--------|---|---|
| Restoration costs (a) | 23,776 | 20,756 | - | - |
|-----------------------|--------|--------|---|---|

(a) Restoration

| | | | | |
|----------------------------------|--------|--------|---|---|
| Carrying amount at beginning | 20,756 | - | - | - |
| Additional provision | 3,020 | 20,756 | - | - |
| Amounts utilised during the year | - | - | - | - |
| Carrying amount at end | 23,776 | 20,756 | - | - |

- (B) A provision for restoration is recognised in relation to the exploration and production activities for costs associated with the restoration of the various sites. Estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have not been discounted to their present value. 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

Issued and paid up capital

| | | | | |
|----------------------------|------------|------------|------------|------------|
| Ordinary shares fully paid | 29,069,158 | 27,081,265 | 29,069,158 | 27,081,265 |
|----------------------------|------------|------------|------------|------------|

Ordinary 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.

| | 2005 | | 2004 | |
|---|--------------------|-------------------|--------------------|-------------------|
| | Number of Shares | \$ | Number of Shares | \$ |
| 12. Contributed Equity <i>continued</i> | | | | |
| (a) Movements in ordinary shares on issue | | | | |
| Balance at the beginning of the year | 131,749,885 | 27,081,265 | 48,731,291 | 5,867,641 |
| Opening balance adjustment | - | - | - | (2) |
| Share consolidation (2.6:1) | - | - | (29,989,369) | - |
| Issue of shares as consideration for the purchase of shares in subsidiaries | - | - | 96,007,963 | 17,473,446 |
| Equity issues during the year for cash pursuant to a prospectus | - | - | 17,000,000 | 4,100,000 |
| Issue of shares not pursuant to a prospectus | 6,677,066 | 2,002,000 | - | - |
| Less: transaction costs | - | (14,107) | - | (359,820) |
| End of financial year | <u>138,426,951</u> | <u>29,069,158</u> | <u>131,749,885</u> | <u>27,081,265</u> |

(b) Movements in Options on issue

| | Number | Exercise Price | Expiry Date |
|--|-------------------|----------------|-------------|
| Listed Options | | | |
| Balance at the beginning of the year | 28,461,369 | 0.65 | 21/12/2006 |
| Equity issues during the year for cash | <u>5,000</u> | 0.65 | 31/12/2006 |
| Balance of Listed Options | <u>28,466,369</u> | | |
| Unlisted Options | | | |
| Balance at the beginning of the year | 12,785,000 | | |
| Issue of options to Company Secretary | 200,000 | 0.33 | 19/8/2008 |
| Issue of options to Directors and management | <u>1,000,000</u> | 0.33 | 1/12/2008 |
| Total Unlisted Options | <u>13,985,000</u> | | |

CONSOLIDATED
 2005 2004
 Number Number

13. Earnings Per Share

| | | |
|--|--------------------|--------------------|
| Earnings Used | (4,650,261) | (1,276,137) |
| Weighted average number of shares used in calculating basic and diluted loss per share | <u>135,843,044</u> | <u>126,337,526</u> |
| Loss per share (cents) | (3.4) | (1.0) |

The Company had 42,451,369 options over fully paid ordinary shares on issue at balance date. Options are considered to be potential ordinary shares. However, they are not considered to be dilutive in nature as their exercise will not result in a diluted earnings per share, showing an inferior view of the Company's earnings performance compared to the basic earnings per share stated above. The options have not been included in the determination of basic earnings per share.

| | CONSOLIDATED | | PARENT | |
|---|--------------|-------------|--------------|-------------|
| | 2005 \$ | 2004 \$ | 2005 \$ | 2004 \$ |
| 14. Accumulated Losses and Reserves | | | | |
| (a) Accumulated losses | | | | |
| Balance at beginning of year | (5,513,978) | (4,237,841) | (5,493,221) | (4,194,887) |
| Net losses attributable to members of Golden Gate Petroleum Ltd | (4,650,261) | (1,276,137) | (4,671,018) | (1,298,334) |
| Balance at end of year | (10,164,239) | (5,513,978) | (10,164,239) | (5,493,221) |
| (b) Share option premium reserve | | | | |
| (i) Nature and purpose of reserve | | | | |
| The share option premium reserve is used to record the value options issued over ordinary shares. | | | | |
| (ii) Movements in reserve | | | | |
| Balance at the beginning of the year | 480,000 | 480,000 | 480,000 | 480,000 |
| Balance at end of the year | 480,000 | 480,000 | 480,000 | 480,000 |
| 15. Statement of Cash Flows | | | | |
| (a) Reconciliation of the net loss after tax to the net cash flows from operations | | | | |
| Loss from ordinary activities after income tax | (4,650,261) | (1,276,137) | (4,671,018) | (1,298,334) |
| Add/(less) non-cash items: | | | | |
| Provision for non-recovery of receivables | - | - | 174,000 | 1,262,592 |
| Provision for diminution in non-current assets | - | - | 4,045,098 | - |
| Writedown in exploration expenditure | 4,212,902 | 1,194,728 | - | - |
| Amortisation of production assets | 454,879 | 449,059 | - | - |
| Net profit on sale of shares | (42,560) | (42,535) | (42,560) | (42,535) |
| Net profit on sale of exploration assets | (2,000) | (208,580) | (2,000) | (153,010) |
| Net foreign currency loss | 83,630 | 42,634 | 173,410 | 10,650 |
| Net profit on sale of controlled entity | - | (54,693) | - | - |
| Depreciation | 11,666 | 15,697 | 10,561 | 12,127 |
| Net cash used in operating activities before change in assets and liabilities | 68,256 | 120,173 | (312,509) | (208,510) |
| Decrease/(increase) in receivables | 60,450 | 263,535 | (532) | 3,937 |
| Decrease/(Increase) in other current assets | 1,100 | (42,550) | (1,100) | (42,550) |
| Increase in provisions | 11,542 | 28,378 | 8,532 | 7,622 |
| (Decrease)/increase in accounts payable | (4,616) | (95,105) | (54,499) | 48,678 |
| Net cash flow from / (used in) operating activities | 136,732 | 274,431 | (360,108) | (190,823) |
| (b) Reconciliation of cash | | | | |
| Cash balance comprises: | | | | |
| - cash at bank | 1,110,656 | 1,451,807 | 671,959 | 1,230,326 |

| CONSOLIDATED | | PARENT | |
|--------------|------|--------|------|
| 2005 | 2004 | 2005 | 2004 |
| \$ | \$ | \$ | \$ |

15. Statement of Cash Flows *continued*

(c) Disposals of controlled entity

During the year ended 30 June 2004, the consolidated entity disposed of all of the ordinary shares of Frontier Bonaparte Pty Ltd. Details of the disposals are as follows:

| | | | |
|---|--|--|----------|
| Consideration (cash) | | | 2 |
| Carrying amount of assets and liabilities disposed of | | | (54,691) |
| Profit on disposal | | | 54,693 |
| The carrying amount of assets and liabilities disposed of by major class: | | | |
| Trade creditors | | | (54,691) |
| Net assets of entity sold | | | (54,691) |
| | | | % |
| Interest held after disposal | | | - |

The Company completed the sale of Frontier Bonaparte Pty Ltd with Matrix Oil (Langsa) Ltd on 15 May 2004 and the operating results to that date have been included in consolidated operating profit.

As part of the transaction, Frontier Bonaparte's existing liabilities were transferred to Matrix Oil (Langsa) Ltd.

(d) Non-Cash Financing and Investing Activities

Disposal of Frontier Bonaparte Pty Ltd - During the year ended 30 June 2004 the consolidated entity disposed of a controlled entity, total value of sale includes \$2 plus transfer of liabilities as disclosed in (c) above.

16. Interests in Joint Venture Operations and Business Undertakings

At 30 June 2005 the Consolidated Entity was a participant in the following joint ventures:

| | CONSOLIDATED | | PARENT | |
|---|--------------|------------|------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| | % Interest | % Interest | % Interest | % Interest |
| Development and Exploration Joint Ventures Padre Island Joint Venture | 10 | 10 | - | - |

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 and production costs of \$16,016,150 (2004: \$19,578,519) represent principally the Consolidated entity's share of development and exploration joint ventures, the material interests of which are noted above.

17. Contingent Liabilities

There are no contingent liabilities for the company and associated entities.

| | \$ | \$ | \$ | \$ |
|---|---------------|---------------|---------------|---------------|
| 18. Auditors' Remuneration | | | | |
| Amounts received or due and receivable by Ernst & Young for: | | | | |
| - an audit or review of the financial report of the company | 34,000 | 22,500 | 34,000 | 22,500 |
| - other services in relation to the company, including preparation of an independent accountant's report and other assurance services | - | 14,880 | - | 14,880 |
| | 34,000 | 37,380 | 34,000 | 37,380 |

19. Remuneration of Directors And Executives

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

F Petruzzelli - Chairman (non-executive) (appointed 30 June 2003)
 S Russotti - Managing Director (appointed 30 June 2003)
 C.I. Burton - Director (non-executive) (appointed 15 September 2000)

(ii) Specified Executive

M Freeman - Company Secretary & Chief Financial Officer

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Board of Directors of Golden Gate Petroleum Ltd is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and the executive team. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

To assist in achieving these objectives, the Board links the nature and amount of executive Directors' and officers' emoluments to the Company's financial and operational performance. It is the Board's policy that employment agreements shall only be entered into with the Managing Director and with no other executives. During the year Mr Russotti had a base salary of \$140,000 per annum plus superannuation of 9% and the provision of a motor vehicle. Mr Russotti also received, following shareholder approval, an option package which brought his employment package to a competitive industry remuneration level. This agreement may be terminated with two month's notice following which the Company is liable to pay any outstanding wages, superannuation and leave accruals.

19. Remuneration of Directors And Executives *continued*

(ii) Remuneration of Specified Directors and Specified Executives

| | | Primary | | Post employment | | Other | Total |
|-----------------------------|-------------|---------------------|--------------------|--------------------------------|----------------------------|--------------------------|----------------|
| | | Salary & fees \$ | Non-monetary \$ | Super-annuation benefits \$ | Value of options (A) \$ | Insurance premiums \$ | |
| Specified directors | | | | | | | |
| Mr F Petruzzelli | 2005 | 34,685 | - | 315 | 36,780 | 3,000 | 74,780 |
| | 2004 | 18,000 | - | - | - | 726 | 18,726 |
| Mr C Burton | 2005 | 35,000 | - | - | - | 3,000 | 38,000 |
| | 2004 | 24,000 | - | - | - | 726 | 24,726 |
| Mr S Russotti, MD | 2005 | 140,000 | 11,592 | 12,600 | 49,049 | 3,000 | 216,241 |
| | 2004 | 86,394 | 8,147 | 7,776 | 36,330 | 726 | 139,373 |
| Mr D Windrim | 2004 | 10,000 | - | - | - | - | 10,000 |
| Total | 2005 | 209,685 | 11,592 | 12,915 | 85,829 | 9,000 | 329,021 |
| | 2004 | 138,394 | 8,147 | 7,776 | 36,330 | 2,178 | 192,825 |
| Specified executives | | | | | | | |
| Mr M Freeman | 2005 | 48,000 | - | - | 17,800 | - | 65,800 |
| | 2004 | 32,000 | - | - | - | 726 | 32,726 |

The remuneration payments to Mr Burton were made to a director related entity, Verona Capital Pty Ltd.

The remuneration payments to Mr Petruzzelli were made to a director related entity, MDB & Co.

The remuneration payments to Mr Freeman were made to a related entity, Meccano Pty Ltd.

(c) Remuneration options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits to certain specified directors as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at an exercise price as disclosed. All options vest immediately at grant date.

| Holders | Granted/ Vested | Exercise \$ | Expiry | ASX Escrow Restriction | Value per option at Grant Date (\$) | Total |
|-----------------------------|--------------------|-------------|------------|------------------------------|--|--------|
| Specified directors | | | | | | |
| Mr F Petruzzelli | 300,000 | 0.33 | 01/12/2008 | - | 0.123 | 36,780 |
| Mr S Russotti | 400,000 | 0.33 | 01/12/2008 | - | 0.123 | 49,040 |
| Specified executives | | | | | | |
| Mr M Freeman | 200,000 | 0.33 | 19/08/2008 | - | 0.089 | 17,800 |

Valuation of Director Options

The options have been valued using the Black & Scholes Model by the Company's advisers and based upon the following assumptions:

- (i) the options expire 1 December 2008 and are all exercisable at 33 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, being was 29.5 cents;
- (iii) a common volatility factor of 50%;
- (iv) an interest rate of 5.34%;
- (v) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation;
- (vi) the valuation date for the options was 7 October 2004; and
- (vii) grant date of 30 November 2004.

Based on the assumptions the estimated value of options issued to the Directors is 12.26 cents per option.

Valuation of Executive Options

The options have been valued using the Black & Scholes Model by the Company's advisers and based upon the following assumptions:

- (i) the options expire 19 August 2008 and are exercisable at 33 cents per Share;
- (ii) the market trading price of the Shares at the time the Company agreed to issue the options, being was 30 cents;
- (iii) a common volatility factor of 50%;
- (iv) an interest rate of 5.655%;
- (v) A discount of 30% for the options not being listed;
- (vi) the valuations ascribed to the various options may not necessarily represent the market price of the options at the date of the valuation; and
- (vii) the valuation date for the options was 19 August 2004.

Based on the assumptions the estimated value of options is 8.89 cents per option.

(d) Shares issued on exercise of remuneration options

No shares have been issued as a result of the exercise of remuneration options during the financial year.

(e) Option holdings of specified directors and specified executives

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 specified director and specified executive, including their personally-related entities.

| | Held at 1 July 2004 | Granted | Exercised | Held at 30 June 2005 | Exercisable/ vested |
|----------------------------|---------------------------|----------------|-----------|----------------------------|------------------------|
| Specified directors | | | | | |
| Mr F Petruzzelli | 480,000 | 300,000 | - | 780,000 | 780,000 |
| Mr C Burton | 76,923 | - | - | 76,923 | 76,923 |
| Mr S Russotti | 1,660,000 | 400,000 | - | 2,060,000 | 2,060,000 |
| Specified executive | | | | | |
| Mr M Freeman | - | 200,000 | - | 200,000 | 200,000 |
| Total | 2,216,923 | 900,000 | - | 3,116,923 | 3,116,923 |

(f) Shareholdings of Specified Directors and Specified Executives

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:

| | Held at 1 July 2004 | Purchases | On exercise of Options | Sales | Held at 30 June 2005 |
|-----------------------------|---------------------------|-----------|---------------------------|----------------|----------------------------|
| Specified directors | | | | | |
| Mr F Petruzzelli | 51,520 | - | - | - | 51,520 |
| Mr C Burton | 2,055,070 | - | - | - | 2,055,070 |
| Mr S Russotti | 272,362 | - | - | - | 272,362 |
| Specified executives | | | | | |
| Mr M Freeman (i) | 38,461 | - | - | (6,730) | 31,731 |
| Total | 2,417,413 | - | - | (6,730) | 2,410,683 |

(i) Securities were transferred to beneficial owner.

19. Remuneration of Directors And Executives *continued*

(g) Other transactions and balances with specified directors and specified executives

No loans have been made during the financial period or at the date of this report to any specified Directors or specified Executives. A number of specified Directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

| Transaction | Note | 2005 \$ | 2004 \$ |
|---|------|------------|------------|
| Specified Directors & Executives | | | |
| Mr C Burton | (i) | 3,439 | 9,631 |
| Mr M Freeman | (ii) | 21,488 | - |

- i. The Company is provided with consulting services by Mitchell River Group Pty Ltd, a company of which Craig Burton is a Director.
- ii. The Company is provided the services of a bookkeeper and sub leases office space from Meccano Pty Ltd, a company of which Mark Freeman is a director. As at 30 June 2005, the Company owed Meccano Pty Ltd \$5,633.

20. SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial years, except for:

The effect of this transaction is not reflected in the financial report. On 1 August 2005 the Company announced that on 29th July 2005 it completed the acquisition of Novus Nevada LLC and Novus Oil and Gas Texas LLC from Medco Energi International for a consideration of US\$1 million. The Board further announced on 26 September 2005 the Company had finalised a 50% farm down of exploration interests to Lodore Resources Inc (listed on the LSE) for a consideration of \$420,000 in the exploration properties as set out in the table below:

| PADRE ISLAND JOINT VENTURE PARTICIPATING INTERESTS | | | | |
|--|-----|--------|--------|-----|
| | GGP | Lodore | MITSUI | BNP |
| Production Fields | | | | |
| La Playa field (local private company KCS has a 20% interest) | 40% | - | 15% | 25% |
| West Bird field | 50% | - | 20% | 30% |
| La Playa Deep | 80% | - | 20% | - |
| Prospects | | | | |
| Murdock South and Plum Deep* | 50% | 50% | - | - |
| Manzano* | 40% | 40% | 20% | - |
| Kingsway* | 50% | 50% | - | - |
| Wilson* | 40% | 40% | 20% | - |
| Lemon Seed prospect (deep) * | 25% | 25% | 20% | 30% |
| Ultra deep sections * | 25% | 25% | 20% | 30% |
| Shallow leases over the Hook, Fault/County Line, El Mar and Dunn Deep areas* | 10% | - | - | 90% |
| All other leases | 40% | 40% | 20% | - |

* GGP as Operator

Funding of the Transaction

The Company arranged an unsecured US\$1 million debt facility from Sampala Investments Pty Ltd ("Sampala"), a company in which Mr Craig Burton is a director, to fund the acquisition. The terms of this facility are:

1. The loan will bear interest at 8% pa accrued monthly;
2. A loan establishment fee of 4% is payable;
3. The loan and interest is repayable upon Golden Gate completing any capital raisings or 6 months after the loan is drawn down it is repayable on demand by Sampala; and
4. Golden Gate will use best endeavours to undertake a capital raising or farm down the acquired interests as soon as practicable following completion of the acquisition in order to repay the loan.

21. FINANCIAL INSTRUMENTS

a. Interest rate risk

Interest rate risk exposures

The Consolidated entities exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

| | Weighted Average Interest rate | Floating Interest Rate \$ | Non – Interest Bearing \$ | Total \$ |
|------------------------------|---|------------------------------------|------------------------------------|-------------|
| 2005 | | | | |
| Financial Assets | | | | |
| Cash assets | 0.50% | 1,110,656 | - | 1,110,656 |
| Trade and other receivables | - | - | 145,597 | 145,597 |
| Security Deposits | 0.78% | 85,072 | - | 85,072 |
| Other financial assets | - | - | 1,844 | 1,844 |
| | | 1,195,728 | 147,441 | 1,343,169 |
| Financial liabilities | | | | |
| Payables | - | - | 178,555 | 178,555 |
| | | - | 178,555 | 178,555 |
| 2004 | | | | |
| Financial Assets | | | | |
| Cash assets | 0.50% | 1,451,807 | - | 1,451,807 |
| Trade and other receivables | - | - | 206,047 | 206,047 |
| Security Deposits | 0.78% | 72,482 | - | 72,482 |
| Other financial assets | - | - | 41,706 | 41,706 |
| | | 1,524,289 | 247,753 | 1,772,042 |
| Financial liabilities | | | | |
| Payables | - | - | 236,453 | 236,453 |
| | | - | 236,453 | 236,453 |

b. 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.

c. Net fair values

Methods and assumptions used in determining net fair value.

For financial assets and liabilities, the net fair value approximates their carrying value, except for listed shares which are carried at \$1,844 and have a fair value of \$4,427. The Company has no financial assets where carrying amount exceeds net fair values at balance date.

22. SEGMENT INFORMATION

Primary reporting

During the year Golden Gate Petroleum Ltd operated in one business segment, being the oil and gas industry (primary segment) and two geographical segments (secondary segment) being Australia and USA.

Secondary reporting – Geographical segments

The Consolidated Entity generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

| | Australia \$ | USA \$ | Consolidated \$ |
|---------------------------------------|-----------------|-------------|--------------------|
| 2005 | | | |
| External segment revenue | 105,004 | 584,210 | 689,214 |
| Segment operating loss | (451,919) | (4,198,342) | (4,650,261) |
| Depreciation | (10,561) | (1,105) | (11,666) |
| Write down of exploration expenditure | - | (4,667,781) | (4,667,781) |
| Segment assets by location | 761,094 | 18,842,300 | 19,603,394 |
| Acquisition of non current assets | (10,972) | (2,009,252) | (2,020,224) |
| Segment liabilities by location | (68,623) | (149,852) | (218,475) |
| 2004 | | | |
| External segment revenue | 527,690 | 516,710 | 1,044,400 |
| Segment operating loss | (35,742) | (1,240,395) | (1,276,137) |
| Depreciation | (12,127) | (3,570) | (15,697) |
| Write down of exploration expenditure | | (1,643,787) | (1,643,787) |
| Segment assets by location | 1,539,626 | 20,772,492 | 22,312,118 |
| Acquisition of non current assets | 50,735 | 1,414,396 | 1,465,131 |
| Segment liabilities by location | (114,590) | (129,485) | (244,075) |

24. IMPACT OF THE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated entity has recently commenced its review of accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). As the Company has a 30 June year-end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Company's best estimate of the known or reliably estimated impact of the changes on total equity as at the date of transition and 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of the transition to IFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the Company, (b) potential amendments to IFRS's and Interpretations thereof being issued by the standard-setters and IFRIC, and (c) emerging and accepted practice in the interpretation and application of IFRS and UIG Interpretations.

Business combinations

Under the Australian equivalent to IFRS 3 "Business Combinations", the Company has chosen to utilise the exemption under AASB 1 "Australian Adoption of International Financial Reporting Standards" for all past business combinations.

Impairment of Assets

Under AASB 136 "Impairment of Assets", the recoverable amount of an asset is determined as the higher of net selling price and value of use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. The Company is in the process of assessing if the assets are impaired at transition dated and at 30 June 2005 and have not yet reached a stage whereby quantification is possible.

Restoration, Rehabilitation and Environmental Costs

Environmental obligations associated with the retirement or disposal and/ or exploration properties will be recognised when the disturbance occurs and is based on the extent of damage incurred. The provision is measured as the present value of the future expenditure. A corresponding rehabilitation asset is also recognised to the extent that the obligation relates to development. The impact of adoption is yet to be quantified by the Company.

Exploration and Evaluation

AASB 6 "Exploration and Evaluation of Mineral Resources" will require the Company to apply "area of interest" accounting to its exploration and evaluation expenditures, effectively grandfathering the treatment currently used by the Company under AASB 1022 "Accounting for Extractive Industries". Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. The Company is in the process of analysing its deferred exploration and evaluation expenditure to determine if expenses were deferred which were incurred before licence was granted and to determine if the assets were impaired at date of transition and 30 June 2005. The impact of adoption is yet to be quantified by the Company.

Income Tax

Under the AASB 112 "Income Taxes", the Company will be required to use a balance sheet liability method, which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax based balance sheet. After assessing the major changes relating to the transition of AIFRS, the Company is now in the process of assessing the differences, and the impact of adoption is yet to be quantified by the Company.

Share Based Payments

Under AASB 2 "Share-based Payments", the Company will be required to determine the fair value of options issued to employees as remuneration at grant date and recognise an expense in the Statement of Financial Performance over the vesting period. This standard is not limited to options and also extends to other forms of equity-based remuneration. AASB 2 applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005.

The Company has the following options which would be classified as Share-based Payments. These options vested when they were issued:

| Number | | Exercise Price | Expiry Date |
|-----------|----------|----------------|-------------|
| 960,000 | Unlisted | \$0.20 | 31-May-06 |
| 800,000 | Unlisted | \$0.44 | 18-Feb-07 |
| 25,000 | Unlisted | \$0.32 | 2-Mar-07 |
| 200,000 | Unlisted | \$0.33 | 19-Aug-08 |
| 1,000,000 | Unlisted | \$0.33 | 1-Dec-08 |

These securities will be valued where required and expensed as required by AASB 2. The impact of adoption is yet to be quantified by the Company.

Financial Instruments

AASB 139 "Financial Instruments Recognition and Measurement" will require financial instruments to be classified into one of the following categories which in turn determines the accounting treatment for the item. The classifications are:

- Financial assets held for trading – which are to be measured at fair value and fair value changes applied through the Statement of Financial Performance;
- Financial assets held to maturity – which are to be measured at amortised costs;
- Loans and receivables – which are measured at amortised costs;
- Available for sale financial assets – which are measured at fair value with fair value changes taken to equity.
- Non-trading financial liabilities – which are measured at amortised costs.

The Company has decided to apply the exemption provided in AASB 1 "First Time Adoption of Australian Equivalents to International Financial Reporting Standards" which permits entities not to apply the requirements of AASB 132 "Financial Instruments"; Presentation and Disclosures and AASB 139 "Financial Instruments"; Recognition and Measurement for the financial year ended 30 June 2005.



■ The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

■ Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

Independent audit report to members of Golden Gate Petroleum Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Golden Gate Petroleum Limited (the company) and the consolidated entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

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 company and the consolidated entity, and that complies with Accounting Standards in Australia, 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.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on them to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report present fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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.

Audit opinion

In our opinion, the financial report of Golden Gate Petroleum Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Golden Gate Petroleum Limited and the consolidated entity at 30 June 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

V W Tidy
Partner
Perth

30 September 2005

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Golden Gate Petroleum Ltd are committed to good corporate governance taking into account the Company's size and activities and has a range of policies and processes in place to ensure the rights of the Company and our shareholders are protected.

In March 2003, the Australian Stock Exchange Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations"). This document is for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations; to identify any recommendations that have not been followed and reasons for not doing so.

The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required.

In a limited number of instances, the Company may determine not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australian Stock Exchange ("ASX") Corporate Governance Council recommendations, unless otherwise stated.

The Company's Corporate Governance Statement is now structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Lay solid foundations for management and oversight
- Structure the board to add value
- Promote ethical and responsible decision making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosure
- Respect the rights of shareholders
- Recognise and manage risk
- Encourage enhanced performance
- Remunerate fairly and responsibly
- Recognise the legitimate interests of stakeholders

For further information on corporate governance policies adopted by the Company, refer to our website: www.ggpl.com.au

BOARD OF DIRECTORS

Role of the Board

The primary role of the Board of Directors is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for monitoring financial and other reporting.

Board processes

The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The Company is engaged in the upstream oil and gas exploration and production business. The Company's oil and gas assets have been held for three years and is in transition to an expected significant increase in its gas production and cash flow within the next two years. The critical skills required by the Board in pursuing the Company's business plan at this relatively early stage of its development are expert geological and exploration and evaluation project management skills together with strong fiscal management skills. In addition, each director is charged with having a thorough understanding of and responsibility for the protection of the rights of the Company and its shareholders.

The Board has these skills (refer to the biographies in the Director's Report) and as the Company's business plan progresses will add new directors as and when complimentary skills are required.

The Board presently comprises two non-executive directors and the Managing Director. The Chairman, Mr Petruzelli, and the other non-executive director Mr Burton are both independent. The Company primarily has consultants providing technical services with one full time employee, the Managing Director. All the senior technical and financial personnel are highly qualified and have previously held roles of executive responsibility in much larger organisations.

The directors meet frequently, both formally and informally, to ensure a mutually thorough understanding of the Company's business and all the Company's policies of corporate governance are adhered to. The agenda for meetings is prepared in conjunction with the Chairman, Managing Director and Company Secretary and is circulated in advance.

The term in office held by each director in office at the date of this report is as follows:

| Name | Term in Office |
|------------------|----------------|
| Mr C Burton | 5 Years |
| Mr F Petruzzelli | 2 Years |
| Mr S Russotti | 2 Years |

Director education

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

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. In accordance with this definition, both Mr Petruzzelli and Mr Burton are considered to be independent. Therefore the majority of the Board are independent.

Recommendation 9 states that non-executive directors should not receive options or bonus payments. The Company intends to continue its policy of awarding options or other securities to non-executive directors as it considers this to be a reasonable and appropriate method of assisting in attracting and retaining suitably skilled board members.

Nomination committee

Recommendation 2.4 requires listed entities to establish a nomination committee. During the year ended 30 June 2005, the Company did not 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. The Board has reviewed its policy on nominations and incorporates below its summarised policy.

Factors considered for a new candidate include:

- The skills required for appointment to the Board;
- How differing skills are represented on the Board;
- Processes for the identification of suitable candidates for the Board;
- The time commitment required by a Director to effectively discharge duties;
- The number of existing directorships and other commitments that the candidate may have;
- Assessment of the 'independence' of the candidate; and
- The extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

The following procedure is followed in selecting and appointing a new director:

- Utilize personal networks or external consultants to identify potential candidates;
- Assess appropriateness of candidate with consideration to the above points;
- Determine the terms, conditions, responsibilities and expectations of the new position;
- Non-executive directors should be appointed for specific terms subject to re-election and to the ASX Listing Rules and Corporations Act provisions concerning removal of a director;
- Ultimate decisions about who is elected to the board are to be made by the shareholders; and
- Ensuring that the new board member is inducted and that they have every opportunity to increase their knowledge about the Company to ensure that they can participate in an effective manner to the board deliberations.

CONTINUOUS DISCLOSURE POLICY

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 coordinating 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 share 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 Company Secretary. Other directors, officers and employees of the Company will not disclose any information to the media without express permission from the Company Secretary.

Information is communicated to shareholders as follows:

- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments.
- the half-yearly report contains summarised financial information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investment Commission and the ASX, and sent to any shareholder who requests it.
- quarterly reports are prepared in accordance with ASX listing rules and in summary form are distributed to all shareholders.
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.
- all announcements made to the market, and related information are placed on the Company's website after they are released to the ASX, including regular updates on operations.
- the full texts of notices of meetings and associated explanatory material are placed on the Company's website.

All of the above information is made available on the Company's website. Copies of all presentations made by the Company in a public forum are posted on the website. The majority of the information is also emailed to all shareholders who lodge their email contact details with the Company.

The external auditor is requested to attend the Annual General Meeting to answer any questions concerning the audit and the auditor's report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

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.

SHARE TRADING POLICY

The Company has established a policy that imposes certain restrictions on directors, senior management and other employees trading in the Company's securities. The policy has been adopted to prevent trading in contravention of the insider trading provisions of the Corporations Act 2001, in particular when Company personnel are in possession of price-sensitive information.

In general trading in the Company's securities is prohibited:

- whilst in possession of unpublished price sensitive information;
- where officers are engaging in the business of active dealing;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or annual report to the ASX; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a director or employee is applying for securities pursuant to that disclosure document.

Directors must notify the Board and employees must notify the managing director in advance of any transactions involving the Company's securities. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange, directors advise the ASX of any transaction conducted by them in shares or options in the Company.

CONFLICT 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 exists the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

REMUNERATION AND PERFORMANCE ASSESSMENT

Remuneration committee

Recommendation 9.2 requires listed entities to establish a remuneration committee. During the year ended 30 June 2005, the Company did not 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 and 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 Note 20 of the Notes to the Financial Statements. 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.

Performance

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be asked to retire.

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 consolidated entity'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 consolidated entity 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 consolidated entity's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Managing Director and the 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 consolidated entity.

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 consolidated entity's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

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 quarterly 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.

Recommendation 4.3 requires listed entities to have an audit committee consisting of only non-executive directors, a majority of independent directors, an independent Chairman, who is not Chairman of the board and at least three members. Recommendation 4.4 requires the audit committee to have a formal charter. During the year ended 30 June 2005, the Company had a separate audit committee which met all the requirements except it had only two members.

An Audit Committee was established during the year. It is the Board's 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 has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the audit committee.

Audit Committee members are:

Craig Burton (Chairman)

Frank Petruzzelli

Due to the small size of the Board the audit committee currently consists of two non-executive Directors. The Chairman of the Board is not the Chairman of the audit committee.

The audit committee, consisting of members with financial expertise and detailed knowledge and experience of the mineral 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 audit committee meets with the Company's external auditors, independent of the Managing Director, twice a year and before finalisation of any audit or review.

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 2005 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.

ETHICAL STANDARDS

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 consolidated entity.

HEALTH, SAFETY, ENVIRONMENT AND HERITAGE PROTECTION POLICY

The Company is committed to compliance with all relevant laws and regulations and continual assessment of its operations to ensure protection of the environment, the community and the health and safety of its employees.

The Company has adopted a policy and maintains appropriate procedures to ensure that all Company activities are carried out in compliance with safety regulations, in a culture where the safety of personnel is paramount and which recognises environmental sustainability and respect for cultural and heritage issues as essential requirements for all its activities. Procedures are maintained to govern the activity of employees and contractors to ensure that the objectives of this policy are met.

SHAREHOLDER INFORMATION

Stock Exchange Listing

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

Class of Shares and Voting Rights

At 23 September 2005 there were 2,013 holders of 138,426,951 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 him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, 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 | Number of Option Holders |
|-----------------------|------------------------|--------------------------|
| 1 – 1,000 | 239 | 14 |
| 1,001 – 5,000 | 411 | 32 |
| 5,001 – 10,000 | 367 | 50 |
| 10,001 – 100,000 | 810 | 219 |
| 100,001 and over | 186 | 54 |
| Total | 2,013 | 369 |

The number of shareholders holding less than a marketable parcel is 452.

Cash Usage

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

Listing of 20 Largest Shareholders

| | Name of Ordinary Shareholder | Number of Shares Held | Percentage of Shares Held |
|-----|--|-----------------------|---------------------------|
| 1. | Westpac Custodian Nominees | 15,555,780 | 11.237 |
| 2. | ANZ Nominees Limited | 12,494,575 | 9.026 |
| 3. | Merrill Lynch (Australia) | 6,802,237 | 4.913 |
| 4. | National Nominees Limited | 6,074,962 | 4.388 |
| 5. | Towertun Pty Limited | 2,103,369 | 1.519 |
| 6. | Citibank Canada | 2,013,120 | 1.454 |
| 7. | Byrne Holdings Pty Limited | 1,479,729 | 1.068 |
| 8. | Keith William Sheppard | 1,460,000 | 1.054 |
| 9. | Francis Maxwell Douglas | 1,200,000 | 0.866 |
| 10. | Ninallo Pty Limited | 1,200,000 | 0.866 |
| 11. | Deepwoods Investments Pty Limited | 1,173,730 | 0.847 |
| 12. | Cavil Singh | 1,150,000 | 0.830 |
| 13. | Sampala Investments Pty Limited | 1,104,776 | 0.798 |
| 14. | Citicorp Nominees Pty Limited | 1,085,967 | 0.784 |
| 15. | Four P Investment Co Pty Limited | 1,052,000 | 0.759 |
| 16. | R Pietrolungo Nominees Pty Limited | 980,264 | 0.708 |
| 17. | Wm Clough Pty Ltd | 961,538 | 0.694 |
| 18. | Sandra Joan Traviati | 906,400 | 0.654 |
| 19. | UBS Private Clients Australia Nominees Pty Limited | 902,888 | 0.652 |
| 20. | Camellia Holdings Pty Limited | 864,865 | 0.624 |

Options Expiring on 31 December 2006

| | Name of Option Holder | Number of Options Held | Percentage of Shares Held |
|-----|---|------------------------|---------------------------|
| 1. | Westpac Custodian Nominees | 5,003,401 | 17.576 |
| 2. | Waltkab Pty Limited | 1,250,000 | 4.391 |
| 3. | Geoffrey Michael Knight & Mrs Deanne Kaye | 1,150,000 | 4.039 |
| 4. | Frank Joseph Burke | 848,284 | 2.979 |
| 5. | Alimold Pty Ltd | 810,000 | 2.845 |
| 6. | June Wilkin | 810,000 | 2.845 |
| 7. | Bernadette Ann Ross | 673,030 | 2.364 |
| 8. | Andrew Lennox | 420,000 | 1.475 |
| 9. | Syzygy Holdings Pty Ltd | 384,615 | 1.351 |
| 10. | Lloyd Murray Ross | 380,000 | 1.334 |
| 11. | Gail Anne Hateley | 362,000 | 1.271 |
| 12. | Najava Pty Ltd | 350,000 | 1.229 |
| 13. | Highland Timbers Pty Ltd | 345,000 | 1.211 |
| 14. | Thomas Booth | 319,600 | 1.122 |
| 15. | Tremolite Industries Pty Ltd | 310,000 | 1.089 |
| 16. | Diskfin Pty Ltd | 300,000 | 1.053 |
| 17. | MTM Trustees Limited | 300,000 | 1.053 |
| 18. | Mungala Pty Ltd | 299,930 | 1.053 |
| 19. | Ms Anne-Carita Kontkanen | 296,923 | 1.043 |
| 20. | Mcrae Investments Pty Ltd | 253,846 | 0.891 |

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION *continued*

Unquoted and Escrowed Equity Securities

| Securities | Number | Escrow Period | Name of Holders | Number Held |
|---|-----------|---------------|-------------------------------|-------------|
| Options exercisable at 20 cents on or before 31 May 2006 | 960,000 | - | Sam Russotti | 480,000 |
| | | | Frank Petruzelli | 480,000 |
| Options exercisable at 30 cents on or before 11 August 2006 | 3,000,000 | - | Towertun Pty Ltd | 700,000 |
| | | | Ravenhill Investments Pty Ltd | 600,000 |
| | | | Argonaut Capital Ltd | 800,000 |
| | | | Cygnat Capital Pty Ltd | 200,000 |
| | | | Sam Russotti | 700,000 |
| Options exercisable at 30 cents on or before 11 August 2006 | 8,000,000 | - | Palco Incorporated | 8,000,000 |
| Options exercisable at 44 cents on or before 18 February 2007 | 800,000 | - | Sam Russotti | 480,000 |
| | | | Frank Brophy | 320,000 |
| Options exercisable at 32 cents on or before 2 March 2007 | 25,000 | - | Don Boyd | 25,000 |
| Options exercisable at 33 cents on or before 19 August 2008 | 200,000 | - | Mark Freeman | 200,000 |
| Options exercisable at 33 cents on or before 1 December 2008 | 1,000,000 | - | Sam Russotti | 400,000 |
| | | | Frank Petruzelli | 300,000 |
| | | | Don Boyd | 300,000 |

SCHEDULE OF OIL & GAS INTERESTS

As at 23 September 2005

| Project Name | Holder | Percentage held | Expiry Date |
|---|--|---|---|
| Bethany Project | | | |
| NE Bethany Field, Panola County, Texas, USA. Water Flood Unit 3 | Long Flat Ltd | 100% | N/A |
| Padre Island Joint Venture | | | |
| Approximately 87 leases on Padre Island, SW Texas | Long Flat Ltd/ Kindee Oil and Gas, LP. | Various interests as disclosed below | Progressive over the next three years |
| Production Fields | | | |
| La Playa field (local private company KCS has a 20% interest) | | 40% | |
| West Bird field | | 50% | |
| La Playa Deep | | 80% | |
| Prospects | | | |
| Murdock South and Plum Deep* | | 50% | |
| Manzano* | | 40% | |
| Kingsway* | | 50% | |
| Wilson* | | 40% | |
| Lemon Seed prospect (deep) * | | 25% | |
| Ultra deep sections * | | 25% | |
| Shallow leases over the Hook, Fault/County Line, El Mar and Dunn Deep areas* | | 10% | |
| All other leases* | | 40% | |

* GGP as Operator



GOLDEN GATE
PETROLEUM LTD