Golden Gate Petroleum Ltd

ABN 34 090 074 785

Interim Financial Report for the Half-Year Ended
31 December 2011

Half-year financial report for the six months ended 31 December 2011

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CORPORATE DIRECTORY

This half-year report covers the consolidated entity consisting of Golden Gate Petroleum Ltd ("the Company" or "Golden Gate") and the entities it controlled during the half-year ended 31 December 2011 ("Consolidated Entity" or "Group"). The Group's presentation currency is Australian Dollars.

OFFICERS	Stephen Graves (Executive Chairman / Managing Director) Frank Petruzzelli (Non Executive Director) Frank Brophy (Non Executive Director) Chris Ritchie (Company Secretary)
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AUSTRALIAN SECURITIES EXCHANGE CODES	GGP (Ordinary Shares) GGPO (Listed Options)

Directors' report

Your Directors submit this report for the half year ended 31 December 2011.

Directors

The names of the Directors of Golden Gate Petroleum Ltd in office during the half-year and until the date of this report are:

Stephen Graves – Executive Chairman / Managing Director
Frank Petruzzelli – Non-Executive Director
Frank Brophy – Non-Executive Director

All Directors were in office from the beginning of the half-year until the date of this report except as stated above.

Review and results of operations

Operating results

The Company recorded a net after tax loss of $1,618,396 (2010: net loss of $4,819,404) for the half-year ended 31 December 2011.

Summary review of operations

During the half-year ended 31 December 2011, the Company commenced the development of its Permian Basin leasehold assets and maintained its portfolio of US oil & gas assets. Significant developments during the period included:

Permian Basin prospect

SRH 1 (6H) Well
The well spudded on 7 October 2011 and reached total depth (9,235 feet) on 20 October 2011. Electric logs were run over the targeted intervals. Eight pay intervals ranging from 5,220 feet and 9,176 feet were identified with over 130 feet of conventional oil sand along with approximately 1,600 feet of rich oil shales were identified for testing and fracture stimulation.

The Company determined that the recoverable oil from this well, based on log analysis was 260,000 barrels with an approximate value of over US$ 20 million in gross revenue, assuming an US$80 barrel oil price The recoverable oil is based on an estimate of total oil attributable to the conventional sands of 136,000 barrels assuming a 40 acre drainage area and a recovery factor of 25.85 barrels of oil per acre foot. Additional oil attributable to the rich oil shales is estimated to be 124,000 barrels of oil assuming a 1% recovery of the oil in place, which works out to be 1.94 barrels of oil per acre foot.

The Company determined that seven intervals in the Wolfcamp Formation would be selected for fracture stimulation by Haliburton.

Over half the recoverable oil determined by this analysis is expected to come from the extremely rich Upper Wolfcamp interval. Recent horizontal drilling on trend by EOG and Laredo Petroleum has targeted the Wolfcamp interval. This interval will be the targeted interval for the Company's first horizontal well.

The well has had its permanent surface equipment installed and a gas pipeline constructed and installed. Before putting the well back on production, additional perforations across the fractured intervals are being added as part of our normal follow up, subsequent to the limited entry fracture stimulation program.

Directors' report

During December the well underwent a flow test and produced 379 barrels of oil and 328mcf of gas over a 24 hour period using variable choke settings and at stable flow pressures. The well produced 1,293 barrels of oil during production testing and prior to being temporarily shut in to allow for the permanent facilities to be installed.

The well is currently being prepared for a new bottom hole pump configuration to deal with the gas locking occurring from the existing equipment. Gas locking is due to excess gas releasing from the oil as it flows up the well bore and pressures decline. It is not an unusual event with high gravity oil over a large open interval as seen in our producing wells. Adjusting production equipment in a new multi stage fracture stimulated well is a common sequence in the start-up of a major multi well development program.

SRH – 2 (8A) Well

The well spudded on 23 October 2011 and reached total depth (9,500 feet) on 30 October 2011. Initial mud logs recorded several oil and gas shows in the primary and secondary intervals of interest. The shows included dull light yellow oil fluorescence and a significant increase in background gas with maximum recordings reaching over 2,700 units, which was ten times the level seen in the SRH-1 well. Significant levels of C1, C2, C3 and C4 gas over several hundred feet from 5,529 feet down to 9,400 feet.

Preliminary log analysis indicated over 60 feet of conventional oil sand along with more than 1,250 feet of rich oil shales which is the primary target in this shale play.

The Company estimated that the well contains 202,000 barrels of recoverable oil from the sand and shales. The Kerogen rich shales showed a large percentage of brittle shales that were excellent frac candidates. Along with the high rich gas shows, the recovery rates per acre foot are expected to be higher than the SRH-1 well.

Oil attributable to the conventional sand intervals ranges up to 97,000 barrels of oil with 1 to 2% recovery factors on a 40 acre drainage area and assuming 40.4 barrels of oil per acre foot. Oil attributable to the shales average 105,000 barrels using only 1% to 1.5% oil in place recovery in the shales.

The well has successfully undergone fracturing by Haliburton. A pumping unit has been installed and is pumping off frac fluid.

The well is also having its bottom hole pump configuration replaced for the same gas locking reasons as the SRH – 1 well.

SRH – 3 (9M) Well

The well spudded on 10 December 2011 and was successfully completed after reaching a total depth of 9,400 feet on 21 December 2011. Open hole logging was not conducted. Instead, the less expensive cased hole logs were run to assist with hydraulic fracturing

Some pressure testing of the cement work was conducted in mid-January in preparation for fracture stimulation by Haliburton at the end of January. Severe winter weather conditions including snow accumulations delayed the hydraulic fracturing.

In February the well was placed on production with a new pumping configuration and is working effectively. Approximately 20% of the frac fluid has been produced and oil has already broken through with 10% of the total fluid production being oil. It normally takes over 40% of the frac fluid to be produced before oil begins to flow. It is believed that the new pumping into and our latest frac program is contributing the earlier results.

Directors' report

SRH – 4 (9E) Well
The well spudded on 23 December 2011 and was successfully completed after reaching a total depth of 9,452 feet on 1 January 2012.

This well is up dip to the earlier wells and has drilled through a new interval (Strawn) that was not tested in the first three wells.

The well is waiting on the SRH #1 and SRH #2 wells to have their pumping units replaced before going into production testing of the new deep Strawn Formation. The Strawn Formation is hydrocarbon charged as gas and condensate have flowed to surface while undergoing the original well completion.

SRH – 5H Well
The well is the Company's first horizontal well which is expected to have up to a 30 stage fracture stimulation program (as compared with 6 or 7 stages for the vertical wells). The initial location has been determined and survey completed.

The Company is currently reviewing the possibility of utilizing a new "sleeve" technology for fracture stimulation. The new technology significantly reduces the time sequence between each frac stage. With up to 30 stages in a horizontal well, this new equipment can make a significant difference in costs and eventual payouts.

Napoleonville prospect

Dugas & Leblanc #3 Well
In October the Company advised that a 24 hr. work over rig had commenced operations to perforate and place on production the primary "M" sand.

During the six month period the Dugas and Leblanc #3 well produced a total of 17,547 barrels of oil and 106,277 mcf of gas. The Company's gross share was 2,632 barrels of oil and 15,941 mcf of gas.

Dugas & Leblanc #1 Well
The Operator's insurers have paid USD $ 18.5 million toward the blowout costs of the Dugas & Leblanc #1 well. The Company has paid its deductible to its own insurers and does not expect any further exposure.

Bullseye prospect

Shallow Laurel Ridge (Huth) Prospect at Bullseye – Jumonville #4
The well spudded on 31 December 2011 testing the 10,100 feet Huth Sands as an offset to the Company's 2009 Jumonville #2 well. The #2 well logged 5 feet of net oil pay carrying 20 ohms of resistivity.

The well reached total depth on 16 January 2012. Electric logs were run and it was determined by log analysis that the targeted Huth Sand was wet. While the Jumonville #4 well is only 115 feet away and 14 feet down dip from the logged pay in the Jumonville #2 well, the logs indicate very low resistivity and no indication of faulting between the two wells.

As a consequence of log analysis, the well was plugged and abandoned.

Directors' report

Jumonville #1 & Jumonville #2
Both wells are reaching the end of their commercial production life. Jumonville #1 is expected to end in the first quarter and Jumonville #2 by the end of this financial year in June 2012.

On reaching the end of the commercial production life of Jumonville #1 the current plan is to move up the hole and test the Camerina interval which is estimated to contain resources of between 2.2 million and 7.1 million bbls of oil and between 2 to 7 bcf of gas. However the extent of the reservoir is unknown.

During the six month period the Jumonville #1 Jumonville #2 wells produced 9,908 barrels of oil and 18,251 MCF of gas. The Company's gross share was 5,375 barrels of oil and 9,901 mcf of gas.

North Edna prospect
The Richardson #1 well was shut in during June 2011. Partners have elected to exit this project. The Company is assessing a number of options and retains an 85% working interest in the project and is the operator

Fausse Point prospect

TGR #1 Well – Side-track
A side-track to the TGR #1 well targeting a potential 200 acre gas accumulation was identified from reprocessed 3D seismic. It has a potential pay interval up to 20 bcf of gas on an un-risked basis. The cost of the side-track is projected to be around US$1 million. Leases over the new target have been put in place by the Company and the drill site has been readied for new drilling operations.

The major partner in the project Verus Investments Ltd (ASX:VIL) has been reviewing the option to farmout a portion of their 72% working interest. The project remains on hold pending VIL's decision

The Company has an 18% working interest in the project and is the operator.

Fausse Point – New Shallow oil Target
A separate shallow oil target at approximately 3,000 feet has been identified from the analysis of the reprocessed 3D seismic. Leasing of the new shallow oil target is almost complete. Permitting has commenced and is expected to take several months due to the drill site being in a wetland area.

Bowtie West

Sugar Valley #1 Well
The Company has been advised by the operator that they are committed to drilling the Bowtie West (Sugar Valley # 1) in March 2012. A rig has been contracted to drill two wells for the Operator, one being the Sugar Valley #1 well and one other well which is currently being drilled before drilling commenced on the Sugar Valley # 1 well. The project is targeting the prolific Vicksburg Sandstone Reservoir and is a relatively low-risk exploration prospect.

Analogue producing wells exist nearby, with IP's > 8 mmcfg per day and cumulative production of >10 bcfg.

The Company has an 18% working interest (paying 20%) in the Bowtie West project.

Directors' report

Padre Island

The Company is examining various options to further develop its knowledge base and seismic licence.

Corporate

On 4 November 2011 the Company completed an AU$3.1 million placement. A total of 206,645,999 fully paid ordinary shares at an issue price of $0.015 (1.5 cents) and 137,763,999 listed options (ASX:GGPO) were issued to sophisticated and professional investors.

On 30 November 2011 the Company held its Annual General Meeting in Sydney, Australia. All resolutions were passed on a show of hands, including the adoption of a new Constitution for the Company.

Subsequent events

Napoleonville Farmout

On 13 January 2012 the Company announced that it had completed a partial farmout of parts of its interests at the Napoleonville Salt Dome to a private US onshore oil and gas company.

The terms of the farmout are summarised below:

- Reprocessing and re-interpretation of the seismic data (at no cost to the Company);
- Partner will have 6 months from receipt of seismic data and tapes to propose a deep well targeting the highly prospective Marg Vag / Cib Haz structures and will then have a further 3 months to propose a second Marg Vag / Cib Haz well with both wells to be drilled by 31 March 2013; and
- The Company will retain a carried interest of between 4.707% and 3.75% working interest in the eventual wells that will be drilled under this agreement.

The farmout will provide the Company with a dedicated partner who has significant and specific geological and geophysical expertise warranted for a project of this size and complexity.

The Board is very pleased with the completion of this farmout and to be fully carried while it dedicates its resources to the development of the Permian Basin project.

The Company continues to participate in the Dugas & Leblanc discovery at a 15% working interest level including a 3.8% working interest in the new Desiree prospect.

All leases have been secured for the Desiree prospect and it is targeting an accumulation of oil in a well-defined up dip block from an interval that produced 2.3 million barrels of oil equivalent. According to Grand Gulf Energy Ltd the prospect is likely to contain between 600,000 and 800,000 barrels of oil and represents a low risk drilling operation. The Company anticipates the well to spud in April 2012.

Directors' report

Subsequent events (continued)
Permian Basin Development
3D Seismic Survey
The Company is negotiating participating in a new 3-D seismic program that will cover its leasehold in Reagan County where most of its acreage is located. 3-D seismic would enhance our capabilities in designing an extended horizontal drilling program especially over the new intervals outside the Wolfcamp.

The Company believes that the current leasehold position could contain three intervals (not one interval) than can be horizontally drilled and fracture stimulated. This assessment increases the potential of the current acreage "threefold" over our original estimates. The cost of participating in an ongoing seismic program by another operator is two thirds less than initiating our own seismic program.

Project Partnering
The Company has been in discussions with other oil and industry related companies interested in partnering with it in the development of our acreage position which now appears to represent a project several time larger than originally estimated. A partner in this project would provide the added capital to take advantage of the multiple intervals that have the potential for horizontal drilling. It would also accelerate the development program to the Company's financial benefit.

Additional Acreage
The Company is examining other acreage positions in the Permian Basin close by where it can diversify and leverage our position based on the knowledge acquired both from a geologic and engineering standpoint. There have been several acquisition proposals presented and we are currently negotiating with other interested parties.

Financing
On 5 January 2012 the Company completed an AU$1.47 million placement. A total of 86,284,328 fully paid ordinary shares at an issue price of $0.017 (1.7 cents) were issued to sophisticated and professional investors

On 13 January 2012 the Company completed agreements with sophisticated and professional investors to raise AU$2,100,000 in convertible loans. These loans will convert to convertible notes upon the company refreshing its placing ability at a general meeting of shareholders in January 2012. The interest rate for these loans / notes is 11% per annum, payable quarterly in arrears. The principal is repayable on 31 December 2012. The notes will have a face value of $0.05 (5 cents) but may be converted early at the lower of $0.05 and the 10 day VWAP of shares on the date of delivery of a conversion notice.

On 30 January 2012, the convertible loans were converted to convertible notes.

On 8 February 2012 The Company issued a Prospectus for a 1:7 Fully Underwritten Entitlement Issue at $0.017 (1.7 cents) to existing shareholders. This will raise a further AU$ 4,488,576 to finance the ongoing development and exploration program of the Company.

As at closing date on 6 March 2012, the Company had received funds totaling AU$5,238,193, consisting of AU$3,052,723 in entitlements and AU$2,185,470 in applications for additional shortfall shares.

On 28 February 2012 the Company extended the Converted Notes to AU$2,250,000.

On 29 February 2012 the Company completed an AU$ 1,008,066 placement. A total of 59,298,025 fully paid ordinary shares at an issue price of $0.017 (1.7 cents) were issued to sophisticated and professional investors.

Directors' report

Subsequent events (continued)

Financing

As at the date of signing this report, AU$475,000 of the Convertible Notes issued on 13 January 2012, have been converted into shares.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under S307C and the Corporations Act 2001 is set out on page 20.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Frank Petruzzelli

Frank Petruzzelli
Director

15 March 2012
Melbourne, Victoria

Forward looking statements & competent persons statement

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

Information in this report that relates to Hydrocarbon Reserves and or Resources is based on information compiled by Mr. Mark Decker or Mr. Mickey McGhee. Mr. Decker (BSc Geology) has 34 years' relevant experience in the oil and gas sector and Mr. McGhee, Geologist, has over 30 years' experience within the oil and gas sector and an extended background in the Permian Basin.

Directors' declaration

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

In the opinion of the directors:

(a) the financial statements, and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Frank Petruzzelli

Frank Petruzzelli
Director

15 March 2012
Melbourne, Victoria

Consolidated statement of comprehensive income

For the six months ended 31 December 2010

	Note	Consolidated 31 Dec 2011 $	Consolidated 31 Dec 2010 $
Revenue from oil and gas sales		1,292,905	1,376,819
Costs of sales		(1,181,588)	(1,585,088)
Gross Profit/(Loss)		**111,317**	**(208,269)**
Interest revenue		21,075	3,317
Other income		26,618	650
Impairment of oil and gas properties		(561,813)	(3,806,212)
Impairment of investments		-	(40,239)
Administration costs		(1,150,290)	(734,951)
Finance costs		(65,303)	(33,340)
Other expenses		-	(360)
Loss from continuing operations before income tax expense	3	**(1,618,396)**	**(4,819,404)**
Income tax expense		-	-
Net loss attributable to members of the Company		**(1,618,396)**	**(4,819,404)**
Other comprehensive income			
Foreign currency translation		841,454	(1,695,615)
Total comprehensive income for the period		**(776,942)**	**(6,515,019)**
Earnings per share attributable to the ordinary equity holders of the Company (cents per share)			
Basic loss per share cents		0.09	0.48
Diluted loss per share cents		0.09	0.48

The Consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 31 December 2011

	Notes	Consolidated 31 Dec 2011 $	Consolidated 30 June 2011 $
Current assets			
Cash & cash equivalents		2,866,778	2,387,656
Trade & other receivables		907,046	855,763
Investments		-	7,265
Prepayments		508,113	57,310
Total current assets		**4,281,937**	**3,307,994**
Non-current assets			
Trade and other receivables		261,309	202,961
Plant and equipment		31,928	26,986
Exploration & evaluation assets	4	7,310,074	8,894,073
Oil & gas properties	5	8,718,889	1,343,406
Total non-current assets		**16,322,200**	**10,467,426**
Total assets		**20,604,137**	**13,775,420**
Current liabilities			
Trade and other payables		3,146,072	1,064,741
Applications from shareholders not allotted		395,258	-
Cash call from JV partners		835,879	72,767
Provisions		817,630	531,911
Total current liabilities		**5,194,839**	**1,669,419**
Non current liabilities			
Interest bearing loans & borrowings		910,000	1,510,000
Provisions		35,240	92,983
Total non current liabilities		**945,240**	**1,602,983**
Total liabilities		**6,140,079**	**3,272,402**
Net assets		**14,464,058**	**10,503,018**
Equity			
Contributed equity	7	97,277,974	92,539,992
Reserves		(1,630,157)	(2,471,611)
Accumulated losses		(81,183,759)	(79,565,363)
Total equity		**14,464,058**	**10,503,018**

The Consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

	Contributed Equity	Accumulated Losses	Options Reserve	Foreign Currency Translation Reserve	Convertible Notes Reserve	Total Equity
Balance at 1 July 2010	**86,365,141**	**(72,309,243)**	**4,019,740**	**(5,377,608)**	**1,369,193**	**14,067,223**
Loss for the period	-	(4,819,404)	-	-	-	**(4,819,404)**
Other comprehensive income	-	-	-	(1,695,615)	-	**(1,695,615)**
Total comprehensive income for the half-year	-	(4,819,404)	-	(1,695,615)	-	**(6,515,019)**
Transactions with owners in their capacity as owners						
Shares issued	1,252,000	-	-	-	-	**1,252,000**
Transaction costs on shares issued	(70,177)	-	-	-	-	**(70,177)**
Share-based payments		-	10,000	-	-	**10,000**
Balance at 31 December 2010	**87,546,964**	**(77,128,647)**	**4,029,740**	**(7,073,223)**	**1,369,193**	**8,744,027**

	Contributed Equity	Accumulated Losses	Option Reserves	Foreign Currency Translation Reserve	Convertible Notes Reserve	Total Equity
Balance at 1 July 2011	**92,539,992**	**(79,565,363)**	**4,029,740**	**(7,870,544)**	**1,369,193**	**10,503,018**
Loss for the period	-	(1,618,396)	-	-	-	**(1,618,396)**
Other comprehensive income	-	-	-	841,454	-	**841,454**
Total comprehensive income for the half-year	-	(1,618,396)	-	841,454	-	**(776,942)**
Transactions with owners in their capacity as owners						
Shares issued	5,136,382	-	-	-	-	**5,136,382**
Transaction costs on shares issued	(398,400)	-	-	-	-	**(398,400)**
Balance at 31 December 2011	**97,277,974**	**(81,183,759)**	**4,029,740**	**(7,029,090)**	**1,369,193**	**14,464,058**

The Consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended 31 December 2011

	Consolidated	
	31 Dec 2011 $	**31 Dec 2010 $**
Cash flows from operating activities		
Receipts from customers	1,183,274	1,256,733
Payment to suppliers and employees	(2,234,854)	(3,404,948)
Receipts from JV Partners	763,112	-
Interest received	20,049	3,317
Interest paid	(38,113)	(33,340)
Net cash flows (used in) operating activities	**(306,532)**	**(2,178,238)**
Cash flows from investing activities		
Payments for exploration and evaluation expenditure	(10,700)	(1,536,872)
Production and development costs	(3,771,693)	(652,048)
Acquisition of prospects	-	(529,183)
Acquisition of plant and equipment	(12,243)	(3,323)
Net cash flows (used in) investing activities	**(3,794,636)**	**(2,721,426)**
Cash flows from financing activities		
Proceeds from the issue of shares	4,536,382	1,096,000
Applications from shareholders not allotted	395,258	-
Share issue costs	(398,401)	(70,177)
Net cash flows from financing activities	**4,533,239**	**1,025,823**
Net (decrease) / increase in cash held	**432,071**	**(3,873,841)**
Add opening cash brought forward	2,387,656	7,584,416
Effect of exchange rate changes on cash	47,051	(1,169,876)
Cash and cash equivalents at 31 December 2011	**2,866,778**	**2,540,699**

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

Notes to the financial statements

1. Basis of preparation and accounting policies

Basis of preparation

This general purpose condensed financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by Golden Gate Petroleum Limited during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Significant accounting policies

The accounting policies applied by the group in this consolidated half-year financial statements for the six months to 31 December 2011 are the same as those applied by the group in its consolidated financial report as at and for the year ended 30 June 2011.

Estimates

The preparation of the half-year financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these consolidated half-year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were, other than described below the same as those applied to the consolidated financial report as at and for the year ended 30 June 2011.

Working capital

The group has a working capital deficiency of $912,902 and has incurred a net loss of $1,618,396 and negative cash flows from operations of $306,532. The group has drilling costs of $1,913,612 either due or committed to in relation to the Permian Basin prospect and the Jumonville #4 well.

In order to fund this along with the group's other obligations and current drilling and exploration program, and therefore allow the group to develop its exploration and development assets to allow realization of those assets through commercial production and / or sale, the group is currently reliant on the following key factors:

- That the group has the ability , if warranted, to continue to raise additional funds from share placements; and

1. Basis of preparation and accounting policies (continued)

Working capital (continued)

- That the group is able to realize value if it deems appropriate through the selective divestiture of assets or a sell down of its interests in projects.

The directors are confident of securing the above outcomes, if required, over the 15 month forecast period to March 2013. Since the end of the period under review the Company has completed an AU$2,250,000 Convertible Note facility, raised a further AU$1,000,000 from a private placement and received AU$5,238,193 in funds in regard to the AU$4,488,576 1:7 entitlement issue.

2. Operating segments

No information is disclosed for operating segments as the management accounts that are reviewed by the board of directors only include consolidated numbers together with revenue and capital expenditure by project.

3. Loss for the half-year

Loss for the half-year includes the following items:

	31 Dec 2011 $	31 Dec 2010 $
Impairment of oil and gas properties	(561,813)	(3,806,212)
Office costs	(202,953)	(108,396)
Professional fees	(236,164)	(130,958)
Employee costs	(703,002)	(477,865)
Key management personnel - share based payments	-	(10,000)

4. Exploration and evaluation assets

	31 Dec 2011 $	30 Jun 2011 $
a) Expenditure carried forward in respect of hydrocarbon areas of interest		
Exploration and evaluation - at cost	7,310,074	8,894,073

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.

4. Exploration and evaluation assets (continued)

	Six months ended 31 Dec 2011 $	Twelve months ended 30 June 2011 $
b) Reconciliation:		
Carrying amount at beginning	8,894,073	3,754,263
Movement in carrying value as a result of foreign currency variations	479,400	(1,237,425)
Additions	5,853,024	8,271,113
Transfer to production	(7,747,139)	-
Allowance for impairment	(169,284)	(1,893,878)
Carrying amount at end	**7,310,074**	**8,894,073**

Allowance for impairment expense for the period refers to the write off of drilling and exploration costs for the Acosta #2 well and the Jumonville #4 well.

5. Oil and gas properties

	31 Dec 2011 $	30 June 2011 $
a) Oil and gas properties		
Oil and gas properties - at cost	18,119,680	10,176,146
Accumulated amortisation	(9,400,791)	(8,832,740)
	8,718,889	**1,343,406**

	Six months ended 31 Dec 2011 $	Twelve months ended 30 June 2011 $
b) Reconciliation:		
- **Oil and gas properties**		
Carrying amount at beginning	1,343,406	5,876,652
Transferred from exploration	7,747,139	-
Movement in carrying value as a result of foreign currency variations	185,695	(516,885)
Additions-development costs	10,700	901,165
Impairment expense	(431,198)	(4,067,328)
Amortisation	(136,853)	(850,198)
Carrying amount at end	**8,718,889**	**1,343,406**

The recoverable amount of the development assets were based on their value in use. The carrying amounts of the development assets were determined to be higher than their recoverable amounts and an impairment cost of $431,198 in regard to the Jumonville #1, Jumonville #2 and Acosta #1 wells was recognised.

6. Commitments and contingencies

Commitments

At 31 December 2011, the Group had capital commitments totaling $1,913,612.

6. Commitments and contingencies (continued)

Contingencies

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

A party to a previous agreement with Arturus Capital Limited in connection the Permian Basin leases has enjoined the Company in an action to enforce an option agreement previously entered into by Arturus Capital Limited (ASX:AKW) with the party prior to the sale of the leaseholds to the Company. The party is seeking to transfer the option agreement between themselves and AKW to a subsidiary of the Company. The Company strongly believes that the option agreement does not transfer with the acquisition of the leases. In addition the Company has an indemnity from AKW to ensure that the Company receives a 100% working interest in the leases that it purchased from AKW. The Company and the opposing part each sought to have the matter determined by summary judgment but both motions were dismissed.

A party has commenced an action in the USA concerning a claimed 3% override royalty on the Permian Basin prospect. The action is based on an agreement entered into by the party with Arturus Capital Limited prior to the acquisition of the leases by the Company. The Company is defending its position in this action and has an indemnity from AKW to ensure that the Company receives a 100% working interest in the leases that it purchased from AKW.

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

7. Contributed equity

Reconciliation of movement in share capital	**31 Dec 2011**		**31 Dec 2010**	
	$	**No.**	**$**	**No.**
On issue at 1 July – fully paid	92,539,992	1,495,191,946	86,365,141	975,826,623
Issued for cash	3,099,690	206,645,999	1,096,000	91,333,332
Issued for redemption of convertible notes	600,000	60,114,743	-	-
Issued for asset acquisition *	-	-	156,000	13,000,000
Application monies received not allotted	1,436,692	-	-	-
Less: Transaction costs	(398,400)	-	(70,177)	-
On issue at 31 December – fully paid	97,277,974	1,761,952,688	87,546,964	1,080,159,955

* Acquisition of additional 12% working interest in the Bullseye prospect.

8. Dividends

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2011 (2010: Nil).

9. Share Based Payments

There were no further share based options issued or vested during the six months ended 31 December 2011.

10. Subsequent Events

Napoleonville Farmout

On 13 January 2012 the Company announced that it had completed a partial farmout of parts of its interests at the Napoleonville Salt Dome to a private US onshore oil and gas company.

The terms of the farmout are summarised below:

- Reprocessing and re-interpretation of the seismic (at no cost to the Company);
- Partner will have 6 months from receipt of seismic data and tapes to propose a deep well targeting the highly prospective Marg Vag / Cib Haz structures and will then have a further 3 months to propose a second Marg Vag / Cib Haz well with both wells to be drilled by 31 March 2013; and
- The Company will retain a carried interest of between 4.707% and 3.75% working interest in the eventual wells that will be drilled under this agreement.

The farmout will provide the Company with a dedicated partner who has significant and specific geological and geophysical expertise warranted for a project of this size and complexity.

The Board is very pleased with the completion of this farmout and to be fully carried while it dedicates its resources to the development of the Permian Basin project.

The Company continues to participate in the Dugas & Leblanc discovery at a 15% working interest level including a 3.8% working interest in the new Desiree prospect.

All leases have been secured for the Desiree prospect and it is targeting an accumulation of oil in a well-defined up dip block from an interval that produced 2.3 million barrels of oil equivalent. According to Grand Gulf Energy Ltd the prospect is likely to contain between 600,000 and 800,000 bbls of oil and represents a low risk drilling operation. The Company anticipates the well to spud in April 2012.

Permian Basin Development
3D Seismic Survey

The Company is negotiating participating in a new 3-D seismic program that will cover our leasehold in Reagan county where most of our acreage is located. 3-D seismic would enhance our capabilities in designing an extended horizontal drilling program especially over the new intervals outside the Wolfcamp.

The Company believes that the current leasehold position could contain three intervals (not one interval) than can be horizontally drilled and fracture stimulated. This assessment increases the potential of the current acreage "threefold" over our original estimates. The cost of participating in an ongoing seismic program by another operator is two thirds less than initiating our own seismic program.

10. Subsequent events (continued)

Project Partnering
The Company has been in discussions with other oil and industry related companies interested in partnering with us in the development of our acreage position which now appears to represent a project several time larger than originally estimated. A partner in this project would provide the added capital to take advantage of the multiple intervals that have the potential for horizontal drilling. It would also accelerate the development program to the Company's financial benefit.

Additional Acreage
The Company is examining other acreage positions in the Permian Basin close by where we can diversify and leverage our position based on the knowledge acquired both from a geologic and engineering standpoint. There have been several acquisition proposals presented and we are currently negotiating with other interested parties.

Financing
On 5 January 2012 the Company completed an AU$1.47 million placement. A total of 86,284,328 fully paid ordinary shares at an issue price of $0.017 (1.7 cents) were issued to sophisticated and professional investors

On 13 January 2012 the Company completed agreements with sophisticated and professional investors to raise AU$2,100,000 in convertible loans. These loans will convert to convertible notes upon the company refreshing its placing ability at a general meeting of shareholders in January 2012. The interest rate for these loans / notes is 11% per annum, payable quarterly in arrears. The principal is repayable on 31 December 2012. The notes will have a face value of $0.05 (5 cents) but may be converted early at the lower of $0.05 and the 10 day VWAP of shares on the date of delivery of a conversion notice.

On 30 January 2012, the convertible loans were converted to convertible notes.

On 8 February 2012 The Company issued a Prospectus for a 1:7 Fully Underwritten Entitlement Issue at $0.017 (1.7 cents) to existing shareholders. This will raise a further AU$ 4,488,576 to finance the ongoing development and exploration program of the Company.

As at closing date on 6 March 2012, the Company had received funds totaling AU$5,238,193 million, consisting of AU$3,052,723 in entitlements and AU$2,185,470 in applications for additional shortfall shares.

On 28 February 2012 the Company extended the Converted Notes to AU$2,250,000.

On 29 February 2012 the Company completed an AU$ 1,008,066 placement. A total of 59,298,025 fully paid ordinary shares at an issue price of $0.017 (1.7 cents) were issued to sophisticated and professional investors.

As at the date of signing this report, AU$475,000 of the Convertible Notes issued on 13 January 2012, have been converted into shares.

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

As lead auditor for the review of Golden Gate Petroleum Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

Nicholas E. Burne
Director

BDO Audit (NSW-VIC) Pty Ltd

Melbourne, dated this 15th day of March 2012

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Golden Gate Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Golden Gate Petroleum Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Golden Gate Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Golden Gate Petroleum Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Golden Gate Petroleum Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO

BDO Audit (NSW-VIC) Pty Ltd

Nicholas E. Burne
Director

Melbourne, dated this 15th day of March 2012.