



# GOLDEN GATE PETROLEUM LTD



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30 June 2009

Dear Shareholder,

You will find attached a notice of meeting and explanatory memorandum with a number of resolutions that require your careful attention. The explanatory memorandum contains details on the individual resolutions and should be read prior to making a decision.

The Board also thought in considering the nature of the resolutions and the detail of information being provided that it would be useful to explain their importance to the Company.

The Company is operating in a challenging environment primarily as a consequence of the global economic downturn and the resulting impact on the petroleum industry, the share market and access to capital. These conditions combined with high operating costs from the unsuccessful Acosta well and the Jumonville # 2 well have caused significant constraints on the company's working capital. The Company has largely addressed these constraints through the recently announced capital injections and the rollover of maturing debt:

- February 2009 - Golden Gate sold an 8% working interest in the Bullseye Project to IB Daiwa for US\$1.5m.
- March 2009 - Golden Gate raised A\$4.3 million in additional funding. This was made up of A\$835,000 from a share purchase plan and A\$3.5 million in a convertible note.
- May 2009 – Golden Gate extended the maturity of A\$3.0 million of existing convertible notes for one year.

Notwithstanding these contributions, the Company currently has significant debt obligations and its ability to continue to successfully operate is dependent upon:

- achieving forecast production from the newly drilled and completed Jumonville #2
- a conducive oil price market;
- raising additional working capital; and
- the ongoing support of key stakeholders

The resolutions being put to shareholders in the notice of meeting are to ask for shareholder approval for the convertible notes recently issued and extended along with authority to issue new capital to meet ongoing working capital requirements of the Company. It is important that all shareholders take the time to review the notice of meeting and consider the implications of their vote.

The Board recommends that shareholders vote in favour of all the resolutions being put to the meeting.

If you have any further queries please do not hesitate to contact either the Managing Director on +1 805 469 4656 or the Company Secretary on +61 3 9349 1488.

Regards

Sam Russotti  
Chairman

**GOLDEN GATE PETROLEUM LTD**

**(ABN 34 090 074 785)**

**NOTICE OF GENERAL MEETING**

**EXPLANATORY MEMORANDUM**

**AND**

**PROXY FORM**

**Date of Meeting**

3 August 2009

**Time of Meeting**

3.30pm (EST)

**Place of Meeting**

Level 1, 566 Elizabeth Street  
MELBOURNE  
VICTORIA 3000

**GOLDEN GATE PETROLEUM LTD  
ABN 34 090 074 785**

**NOTICE OF GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the General Meeting of the shareholders of Golden Gate Petroleum Ltd ABN 34 090 074 785 ("Company") will be held at Level 1, 566 Elizabeth Street, Melbourne, Victoria on 3 August 2009, at 3.30pm (Eastern Standard Time) for the purpose of transacting the following business.

**AGENDA**

**BUSINESS**

An Explanatory Memorandum containing information in relation to each of the following resolutions accompanies this Notice of General Meeting.

Terms used in this Notice of General Meeting and the Explanatory Memorandum will, unless the context otherwise requires, have the same meaning as given to them in the Glossary as contained in the Explanatory Memorandum.

**ORDINARY BUSINESS**

**RESOLUTION 1 – RATIFICATION OF THE ISSUE OF 11,700,000 CLASS A CONVERTIBLE NOTES**

That shareholders consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That pursuant to ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of a total of 11,700,000 secured Class A Convertible Notes in the Company, each with a face value of 9 cents and repayable in five years from the date of issue if not converted to Shares prior to this date, to Eastern Advisors Capital Ltd, Eastern Advisors LLC and Peter Boodell on the terms and conditions set out in the Explanatory Memorandum (including Annexure A to the Explanatory Memorandum)."*

**Short Explanation:** ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. By obtaining ratification by shareholders under ASX Listing Rule 7.4 to the issue of the securities under this resolution, the Company will refresh and expand the Company's capacity under ASX Listing Rule 7.1 to make future issues of equity securities up to the 15% threshold. Please refer to the Explanatory Memorandum for details.

The Company will disregard any votes cast on this resolution by persons who participated in the issue of Class A Convertible Notes the subject of this resolution and any associates of those persons. However, the Company will not disregard a vote cast on this resolution if:

- a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

## RESOLUTION 2 – RATIFICATION OF THE ISSUE OF 11,650,000 CLASS A CONVERTIBLE NOTES

That shareholders consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That pursuant to ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of a total of 11,650,000 secured Class A Convertible Notes in the Company, each with a face value of 9 cents and repayable in five years from the date of issue if not converted to Shares prior to this date, to Tiedemann Global Emerging Markets LP and Tiedemann Global Emerging Markets QP LP on the terms and conditions set out in the Explanatory Memorandum (including Annexure A to the Explanatory Memorandum).”*

**Short Explanation:** ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. By obtaining ratification by shareholders under ASX Listing Rule 7.4 to the issue of the securities under this resolution, the Company will refresh and expand the Company's capacity under ASX Listing Rule 7.1 to make future issues of equity securities up to the 15% threshold. Please refer to the Explanatory Memorandum for details.

The Company will disregard any votes cast on this resolution by persons who participated in the issue of Class A Convertible Notes the subject of this resolution and any associates of those persons. However, the Company will not disregard a vote cast on this resolution if:

- a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

## RESOLUTION 3 – RATIFICATION OF THE ISSUE OF 15,538,888 CLASS A CONVERTIBLE NOTES

That shareholders consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That pursuant to ASX Listing Rule 7.4 and for all other purposes, the Company ratifies the allotment and issue of a total of 15,538,888 secured Class A Convertible Notes in the Company, each with a face value of 9 cents and repayable in five years from the date of issue if not converted to Shares prior to this date, to a number of professional and sophisticated investors on the terms and conditions set out in the Explanatory Memorandum (including Annexure A to the Explanatory Memorandum).”*

**Short Explanation:** ASX Listing Rule 7.1 allows the Company to issue equity securities in any 12 month period representing up to 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. By obtaining ratification by shareholders under ASX Listing Rule 7.4 to the issue of the securities under this resolution, the Company will refresh and expand the Company's capacity under ASX Listing Rule 7.1 to make future issues of equity securities up to the 15% threshold. Please refer to the Explanatory Memorandum for details.

The Company will disregard any votes cast on this resolution by persons who participated in the issue of Class A Convertible Notes the subject of this resolution and any associates of those persons. However, the Company will not disregard a vote cast on this resolution if:

- a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

## RESOLUTION 4 – APPROVAL OF AMENDMENTS TO THE TERMS OF CLASS A CONVERTIBLE NOTES

That shareholders consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passage of Resolutions 1 – 3, pursuant to ASX Listing Rule 7.1 and for all other purposes, approval is given to vary the terms of the 38,888,888 Class A Convertible Notes the subject of Resolutions 1 – 3 by:*

- (a) removing the anti-dilution clause; and*
- (b) amending the conversion price to the lesser of (i) 9 cents per Share; or (ii) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue,*

*and otherwise on the terms and conditions set out in the Explanatory Memorandum (including Annexure B to the Explanatory Memorandum).”*

**Short Explanation:** The ASX confirmed to the Company that it would treat the amendment of the terms of the Class A Convertible Notes as being similar to a new issue of securities. Accordingly, shareholder approval to the amendment of the terms under ASX Listing Rule 7.1 is being sought. Under ASX Listing Rule 7.1, the Company may not issue or agree to issue equity securities in any 12 month period representing more than 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. Please refer to the Explanatory Memorandum for details of the proposed amendments to the terms of the Class A Convertible Notes.

**Voting Exclusion** - The Company will disregard any votes cast on this resolution by any holders of Class A Convertible Notes in the Company, and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associate of those persons. However, the Company need not disregard a vote cast on this resolution if:

- (a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

## RESOLUTION 5 – APPROVAL OF AMENDMENTS TO THE TERMS OF THE EASTERN CONVERTIBLE NOTES

That shareholders consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That pursuant to ASX Listing Rule 7.1 and for all other purposes, approval is given to vary the terms of the Eastern Convertible Notes by:*

- (a) extending the term of the Eastern Convertible Notes to 15 May 2010;*
- (b) amending the conversion price to the lesser of (i) 7 cents per Share; or (ii) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue;*
- (c) increasing the interest rate payable on the Eastern Convertible Notes from 10% per annum to 15% per annum; and*
- (d) amending the requirement in relation to withholding or deducting taxes on payments to the noteholder such that where an amount is withheld or deducted, an additional amount will need to be paid to the noteholder so that the net amount received by the noteholder is equal to the amount that would have been received by the noteholder in the absence of the withholding or deduction,*

*and otherwise on the terms and conditions set out in the Explanatory Memorandum (including Annexure C to the Explanatory Memorandum)."*

**Short Explanation:** The ASX confirmed to the Company that it would treat the amendment of the terms of the Eastern Convertible Notes as being similar to a new issue of securities. Accordingly, shareholder approval to the amendment of the terms under ASX Listing Rule 7.1 is being sought. Under ASX Listing Rule 7.1, the Company may not issue or agree to issue equity securities in any 12 month period representing more than 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. Please refer to the Explanatory Memorandum for details of the proposed amendments to the terms of the Eastern Convertible Notes.

**Voting Exclusion** - The Company will disregard any votes cast on this resolution by Eastern Advisors Fund, and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associate of those persons. However, the Company need not disregard a vote cast on this resolution if:

- (a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

#### **RESOLUTION 6 – APPROVAL FOR THE ISSUE OF 14,285,714 CLASS B CONVERTIBLE NOTES**

That shareholders consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*"That pursuant to ASX Listing Rule 7.1 and for all other purposes, the Company approves the allotment and issue of 14,285,714 secured Class B Convertible Notes in the Company to Tiedemann Global Emerging Markets LP, TGEM ASIA LP and Tiedemann Global Emerging Markets QP LP, with a total face value of \$1,000,000 and the Shares to be issued upon conversion of the 14,285,714 Class B Convertible Notes, such number of Shares to be determined at a conversion price of the lesser of (i) 7 cents per Share; or (ii) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue, and otherwise on the terms and conditions set out in the Explanatory Memorandum (including Annexure D to the Explanatory Memorandum)."*

**Short Explanation:** Under ASX Listing Rule 7.1, the Company may not issue or agree to issue equity securities in any 12 month period representing more than 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. Please refer to the Explanatory Memorandum for details.

**Voting Exclusion** - The Company will disregard any votes cast on this resolution by Tiedemann Global Emerging Markets LP, TGEM ASIA LP and Tiedemann Global Emerging Markets QP LP, and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associate of those persons. However, the Company need not disregard a vote cast on this resolution if:

- (a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

## RESOLUTION 7 – APPROVAL FOR THE ISSUE OF 14,285,712 CLASS B CONVERTIBLE NOTES

That shareholders consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That pursuant to ASX Listing Rule 7.1 and for all other purposes, the Company approves the allotment and issue of 14,285,712 secured Class B Convertible Notes in the Company to a number of professional and sophisticated investors, with a total face value of \$1,000,000 and the Shares to be issued upon conversion of the 14,285,712 Class B Convertible Notes, such number of Shares to be determined at a conversion price of the lesser of (i) 7 cents per Share; or (ii) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue, and otherwise on the terms and conditions set out in the Explanatory Memorandum (including Annexure D to the Explanatory Memorandum).”*

**Short Explanation:** Under ASX Listing Rule 7.1, the Company may not issue or agree to issue equity securities in any 12 month period representing more than 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. Please refer to the Explanatory Memorandum for details.

**Voting Exclusion** - The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons. However, the Company need not disregard a vote cast on this resolution if:

- (a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

## RESOLUTION 8 – APPROVAL FOR THE ISSUE OF SHARES

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**.

*“That pursuant to ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 60,000,000 Shares at an issue price that is at least 85% of the average market price calculated over the last 5 days on which sales in Shares are recorded before the day of issue, or if there is a prospectus relating to the issue, over the last 5 days on which sales in Shares are recorded before the date of the prospectus, and otherwise on the terms and conditions set out in the Explanatory Memorandum.”*

**Short Explanation:** Under ASX Listing Rule 7.1, the Company may not issue or agree to issue equity securities in any 12 month period representing more than 15% of its ordinary share capital on issue at the commencement of that period without shareholder approval. Please refer to the Explanatory Memorandum for details.

**Voting Exclusion** - The Company will disregard any votes cast on this resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a shareholder, if this resolution is passed and any associate of those persons. However, the Company need not disregard a vote cast on this resolution if:

- (a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

## VOTING AND PROXIES

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the general meeting. The date is 1 August 2009 at 5pm (Eastern Standard Time).
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

By order of the Board

Mr Chris Bowyer  
Company Secretary  
Dated: 30 June 2009

**PROXIES** - A shareholder entitled to attend and vote at the above meeting may appoint not more than two proxies to attend and vote at this meeting. Where more than one proxy is appointed, each proxy may be appointed to represent a specified proportion of the shareholder's voting rights. If two proxies are appointed and the appointment does not specify the proportion or number of votes that the proxy may exercise, each proxy may exercise half the votes. A proxy may, but need not be, a shareholder of the Company. Proxy forms must reach the Company at least 48 hours prior to the meeting. For the convenience of shareholders, a proxy form is attached.

**GOLDEN GATE PETROLEUM LIMITED**  
**ABN 34 090 074 785**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum is intended to provide shareholders with sufficient information to assess the merits of the resolutions contained in the accompanying Notice.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to the resolutions.

Terms used in the Notice of General Meeting and this Explanatory Memorandum will, unless the context otherwise requires, have the same meaning as given to them in the Glossary as contained in this Explanatory Memorandum.

**RESOLUTIONS 1, 2 and 3 – RATIFICATION OF THE ISSUE OF 38,888,888 CLASS A CONVERTIBLE NOTES**

**Background**

On 5 March 2009, the Company announced to ASX that it had issued a total of 38,888,888 Class A Convertible Notes, each with a face value of 9 cents and having a term of five years, to raise a total of A\$3,500,000 before expenses.

Shareholders should note that the Company is seeking, pursuant to Resolution 4, to amend the terms of the Class A Convertible Notes. It considered the most appropriate course of action in this regard is to initially seek shareholder ratification of the issue of the Class A Convertible Notes on their original terms before seeking any amendments to those terms. Further details of the proposed amendments are set out in the explanatory section for Resolution 4 and Annexure B to this Explanatory Memorandum.

As noted above, the face value of each Class A Convertible Note is 9 cents. Interest is payable by the Company at the greater of 15% per annum or a monthly interest rate based on a formula involving the average monthly New York Mercantile Exchange closing price for light, sweet crude and the daily oil production from any new wells within the Bullseye project, provided that the interest rate shall not exceed 5% per month. Interest is payable quarterly in arrears. The Class A Convertible Note will be able to be converted by the noteholder into Shares in accordance with the terms stated below. Any unconverted Class A Convertible Notes will be repaid at maturity. The Class A Convertible Notes can be converted into Shares at the option of the noteholder at any time prior to maturity.

The conversion price for the Class A Convertible Notes is 9 cents per Share (although it is noted the Company is seeking an amendment to the conversion price pursuant to Resolution 4). The Class A Convertible Notes are secured against the Company's production from Jumonville #2 and any future producing wells from the Bullseye project. The key terms of the Class A Convertible Notes are contained in Annexure A. The Class A Convertible Notes have been issued to unrelated parties.

**Approvals Required**

ASX Listing Rule 7.1 provides that, subject to certain exceptions, shareholder approval is required for an issue of equity securities within a 12 month period, if the number of those securities exceeds 15% of the company's securities then on issue. Whilst shareholder approval for the issue of the Class A Convertible Notes was not required at the time of the issue, the effect of the issue is to reduce the Company's capacity to issue additional equity securities in the future without shareholder approval.

ASX Listing Rule 7.4 allows an issue made by the Company without shareholder approval under ASX Listing Rule 7.1 to be treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if it is subsequently approved by shareholders and did not breach ASX Listing Rule 7.1 at the time of issue.

## The Resolutions

Pursuant to Resolutions 1, 2 and 3, the Company wishes to seek shareholder approval for the purposes of ASX Listing Rule 7.4 by ratification in order to renew the Company's capacity to issue up to 15% of the equity securities of the Company on issue in a 12 month period.

For the purposes of ASX Listing Rule 7.5, the following information is provided to shareholders with respect to Resolutions 1, 2 and 3:

- (a) The number of Class A Convertible Notes issued pursuant to Resolution 1 was 11,700,000. The number of Class A Convertible Notes issued pursuant to Resolution 2 was 11,650,000. The number of Class A Convertible Notes issued pursuant to Resolution 3 was 15,538,888.
- (b) The Class A Convertible Notes were issued with a face value of 9 cents each.
- (c) The Shares issued upon conversion of the Class A Convertible Notes will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing issued Shares.
- (d) The key terms and conditions of the Class A Convertible Notes are set out in Annexure A to this Explanatory Memorandum.
- (e) The allottees of the 11,700,000 Class A Convertible Notes the subject of Resolution 1 were Eastern Advisors Capital Ltd (3,500,000 Class A Convertible Notes), Eastern Advisors LLC (3,500,000 Class A Convertible Notes) and Peter Boodell (4,700,000 Class A Convertible Notes). The allottees of the 11,650,000 Class A Convertible Notes the subject of Resolution 2 were Tiedemann Global Emerging Markets LP (3,734,000 Class A Convertible Notes) and Tiedemann Global Emerging Markets QP LP (7,916,000 Class A Convertible Notes). The allottees of the 15,538,888 Class A Convertible Notes the subject of Resolution 3 were a number of sophisticated, professional and other investors. None of the allottees were related parties of the Company.
- (f) The funds raised from the issue of the Class A Convertible Notes will be used to fund working capital for drilling programs on the Jumonville #2 well at the Company's Bullseye project.

The Board recommends shareholders vote in favour of Resolutions 1, 2 and 3 as the ratification of the issue of Class A Convertible Notes will mean the Company retains the flexibility to issue further equity securities representing up to 15% of the Company's share capital during the next 12 months.

## **RESOLUTION 4 – APPROVAL OF AMENDMENTS TO THE TERMS OF THE CLASS A CONVERTIBLE NOTES**

### **Background**

On 11 March 2009, the Company announced to ASX that it had issued a total of 38,888,888 Class A Convertible Notes. These Class A Convertible Notes are the subject of Resolutions 1 – 3 and were issued on the key terms set out in Annexure A to this Explanatory Memorandum.

The Company has sought and obtained approval (via executed letters of variation) from all the holders of the Class A Convertible Note holders to the amendments to the terms of the Class A Convertible Notes detailed below, subject to shareholder approval.

Accordingly, shareholders are being asked pursuant to Resolution 4, to consider and approve amendments to the terms of the Class A Convertible Notes for the purposes of ASX Listing Rule 7.1.

It is proposed that the terms of the Class A Convertible Notes be amended so that:

- (a) the anti-dilution clause be removed. Currently, in the event that the Company issues, or agrees to issue any Shares, options, convertible notes or debentures:

- (i) the Company must issue (subject to any necessary shareholder consent) the holder of the Class A Convertible Note additional Class A Convertible Notes so that the holder maintains the same proportion of the fully diluted capital of the Company as the holder does on the initial issue of the Class A Convertible Note; or
- (ii) at the election of the holder, the Class A Convertible Notes may be redeemed.

The Company considers that such shareholder approval is necessary prior to the issue of additional Class A Convertible Notes in order for the Company not to be in breach of ASX Listing Rule 6.18. The Company considers the conditional anti-dilution clause to be impractical in light of the need to seek shareholder approval prior to any future issue of securities. In any event, the Company considers it prudent for the entire clause to be removed; and

- (b) the conversion price is the lesser of:
  - (i) 9 cents per Share; or
  - (ii) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue.

This new conversion price calculation was negotiated with the holders of the Class A Convertible Notes to ensure they remain attractive to convert to equity in a low share price environment.

Further details of the proposed amendments to the terms of the Class A Convertible Notes are summarised in Annexure B to this Explanatory Memorandum.

A full copy of the terms of the Class A Convertible Notes with the proposed amendments marked up is available upon request.

### **Approvals Required**

The Company consulted with the ASX regarding the proposal to amend the terms of the Class A Convertible Notes. The ASX confirmed to the Company that it would treat the amendment of the terms as being similar to a new issue of securities. As such, shareholder approval to the amendment of the terms under ASX Listing Rule 7.1 is being sought.

ASX Listing Rule 7.1 provides that, subject to certain exceptions, shareholder approval is required for an issue of equity securities within a 12 month period, if the number of those securities exceeds 15% of the company's securities then on issue.

### **The Resolution**

Pursuant to Resolution 4, the Company wishes to seek shareholder approval to the amendment of the terms of the Class A Convertible Notes for the purposes of ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 7.3, the following information is provided to shareholders with respect to Resolution 4:

- (a) 38,888,888 Class A Convertible Notes have previously been issued (refer to Resolutions 1 – 3). The resolution to amend the terms of the Class A Convertible Notes will not result in the issue of any additional Class A Convertible Notes.
- (b) The terms of the Class A Convertible Notes will be amended no later than 14 days after the approval of this resolution.
- (c) The Class A Convertible Notes were originally issued with a face value of 9 cents each. No additional Class A Convertible Notes will be issued as a result of the passing of this resolution.
- (d) The Class A Convertible Notes are secured convertible notes the original key terms of which are set out in Annexure A to this Explanatory Memorandum. The proposed amended terms of the

Class A Convertible Notes are set out in detail in this Explanatory Memorandum (including Annexure B to this Explanatory Memorandum).

- (e) All existing holders of the Class A Convertible Notes will continue as noteholders.
- (f) No funds will be raised by the amendment to the terms of the Class A Convertible Notes.

The Board recommends shareholders vote in favour of Resolution 4 to amend the terms of the Class A Convertible Notes.

## **RESOLUTION 5 – APPROVAL OF AMENDMENTS TO THE TERMS OF THE EASTERN CONVERTIBLE NOTES**

### **Background**

The Company previously announced on 11 May 2009 and 3 June 2009 that a number of the holders of convertible notes (with a face value of 26.5 cents each) issued in May 2007 and due for redemption on 15 May 2009 had agreed to a "rollover" of the convertible notes. The holders of 3,773,585 of these convertible notes, Eastern Advisers Fund, agreed to, among other things, extend the term of their convertible notes ("**Eastern Convertible Notes**").

Accordingly, the Company has sought and obtained the approval (via executed letters of variation) from Eastern Advisers Fund to the amendments to the terms of the Eastern Convertible Notes detailed below, subject to shareholder approval.

Accordingly, shareholders are being asked pursuant to Resolution 5, to consider and approve amendments to the terms of the Eastern Convertible Notes for the purposes of ASX Listing Rule 7.1.

The current key terms and conditions of the Eastern Convertible Notes are as follows:

1. The unlisted Eastern Convertible Notes have a face value of A\$0.265 each.
2. Certificates have been issued for the Eastern Convertible Notes.
3. The Eastern Convertible Notes will mature two years from the date of their issue, that is, 15 May 2009.
4. The Eastern Convertible Notes are secured by a fixed charge against the Mid Frio La Playa Well #1, La Playa ST938 Well #1 and Dunn Peach Well #6, all located on Padre Island, Texas, USA.
5. The Eastern Convertible Notes bear interest at a rate of 10% per annum, payable quarterly in arrears on 31 December, 31 March, 30 June and 30 September (ending on the date the Eastern Convertible Notes mature or are converted).
6. The Company may make any deduction or withholding for any taxes required by law on any payments to the holder in respect of the Eastern Convertible Notes, and the balance of the amount paid to the holder is deemed to be the full amount payable to it (notwithstanding such deduction or withdrawal).
7. The Company will redeem the Eastern Convertible Notes in the following circumstances:
  - (a) the holder has not elected to convert the Eastern Convertible Notes by the maturity date;  
or
  - (b) if an event of default occurs, and the holder, in its discretion, so elects.

The holder is not entitled to require redemption of the Eastern Convertible Notes in any other circumstances.

8. The Eastern Convertible Notes can be converted into Shares by the holder providing notice to the Company ("**Conversion Notice**"), such notice to only be provided within the first five business days of the calendar month.
9. After receipt of the Conversion Notice the Company will:
  - (a) issue such number of Shares calculated by dividing the principal amount by the conversion price of A\$0.265 per Share;
  - (b) apply for the Shares issued upon such conversion to be quoted on the Australian Securities Exchange; and
  - (c) subject to being able to comply with section 708A(5) of the Corporations Act, use its best endeavours to issue a cleansing notice pursuant to section 708A(5)(e) of the Corporations Act in relation to the Shares issued upon such conversion.
10. If there is a reconstruction of the Company's issued capital, the conversion basis of the Eastern Convertible Notes will also be reconstructed in a way which will not result in any additional – or loss of – benefits to the holder.
11. If the Company undertakes a pro rata entitlement issue, it must give the holder at least 10 business days' notice of the record date set by the Company to afford the holder the opportunity to convert the Eastern Convertible Notes for the purposes of participating in the issue.
12. If the Company makes a bonus Share allotment, the holder will also be entitled to be issued bonus Shares on terms no more and no less favourable than those given to the ordinary shareholders of the Company.
13. The Eastern Convertible Notes are transferable by the holder.

It is proposed that the terms of the Eastern Convertible Notes be amended so that:

- (a) all payments by the Company in respect of the Eastern Convertible Notes shall be made without withholding or deduction for any taxes unless the withholding or deduction is required by law. If the withholding or deduction is required by law, the Company shall pay such additional amounts necessary in order that the net amounts received by the noteholder after the withholding or deduction are equal to the amounts which would have been received in respect of the Eastern Convertible Notes in the absence of the withholding or deduction. Currently:
  - (i) all payments to the noteholder are to be made net of any tax required by law to be withheld or deducted, except to the extent that the Company is satisfied that the noteholder is exempt from any such tax or is a person in respect of whom any such withholding or deduction is not required to be made; and
  - (ii) the Company may make any withholding or deduction from any amount payable to the noteholder in respect of the Eastern Convertible Notes for withholding or other tax required by law to be withheld or deducted. Where such withholding or deduction has been made and the amount accounted for by the Company to the relevant taxing authority and the balance of the amount payable has been paid to the noteholder, the full amount payable to such noteholder will be deemed to have been duly paid and satisfied by the Company;
- (b) the conversion price is the lesser of:
  - (i) 7 cents per Share; or
  - (ii) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue.

This new conversion price calculation was agreed in light of the recent Share price history as well as the desire of the Company to keep consistent the material terms of the Class B Convertible Notes issued to the other holders of convertible notes (with a face value of 26.5 cents each) issued in May 2007 who agreed to a "rollover" of the convertible notes, as referred to in Resolutions 6 and 7.

The Company is proposing to also amend the face value of the Eastern Convertible Notes to 7 cents each. This will mean that, subject to shareholder approval pursuant to this Resolution 5, the Company will issue an additional 10,512,129 Eastern Convertible Notes (as amended) to Eastern Advisers Fund;

- (c) the maturity date will be three years from the date of their issue, that is, 15 May 2010; and
- (d) the interest rate payable on the Eastern Convertible Notes is increased from 10% per annum to 15% per annum.

Further details of the proposed amendments to the terms of the Eastern Convertible Notes are summarised in Annexure C to this Explanatory Memorandum.

A full copy of the terms of the Eastern Convertible Notes with the proposed amendments marked up is available upon request.

### **Approvals Required**

The Company consulted with the ASX regarding the proposal to amend the terms of the Eastern Convertible Notes. The ASX confirmed to the Company that it would treat the amendment of the terms as being similar to a new issue of securities. As such, shareholder approval to the amendment of the terms under ASX Listing Rule 7.1 is being sought.

ASX Listing Rule 7.1 provides that, subject to certain exceptions, shareholder approval is required for an issue of equity securities within a 12 month period, if the number of those securities exceeds 15% of the company's securities then on issue.

### **The Resolution**

Pursuant to Resolution 5, the Company wishes to seek shareholder approval to the amendment of the terms of the Eastern Convertible Notes for the purposes of ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 7.3, the following information is provided to shareholders with respect to Resolution 5:

- (a) 3,773,585 Eastern Convertible Notes have previously been issued with a face value of 26.5 cents each. The resolution to amend the terms of the Eastern Convertible Notes (and, in particular, the amendment to the face value of the Eastern Convertible Notes to 7 cents each) will result in the issue of an additional 10,512,129 Eastern Convertible Notes (as amended).
- (b) The terms of the Eastern Convertible Notes will be amended no later than 14 days after the approval of this resolution.
- (c) The Eastern Convertible Notes are secured convertible notes the original key terms of which are set out above. The proposed amended terms of the Eastern Convertible Notes are set out in detail in this Explanatory Memorandum (including Annexure C to this Explanatory Memorandum).
- (e) The existing holder of the Eastern Convertible Notes, being Eastern Advisers Fund, will continue as noteholder.
- (f) No funds will be raised by the amendment to the terms of the Eastern Convertible Notes.

The Board recommends shareholders vote in favour of Resolution 5 to amend the terms of the Eastern Convertible Notes.

## **RESOLUTIONS 6 AND 7 – APPROVAL FOR THE ISSUE OF 28,571,426 CLASS B CONVERTIBLE NOTES**

### **Background**

As noted above, the Company announced on 11 May 2009 and 3 June 2009 that a number of the holders of convertible notes (with a face value of 26.5 cents each) issued in May 2007 and due for redemption on 15 May 2009 had agreed to a "rollover" of the convertible notes. Accordingly, certain of these holders have subscribed for new Class B Convertible Notes instead of redeeming their convertible notes on 15 May 2009. The issue of the Class B Convertible Notes is subject to shareholder approval. If shareholder approval is not obtained by 15 August 2009, the Company and the relevant noteholders must negotiate in good faith new commercial terms for repayment of the original convertible notes.

The face value of each Class B Convertible Note is 7 cents. The Class B Convertible Notes have a one year term. Interest will be payable by the Company at a rate of 15% per annum, payable quarterly in arrears. The Class B Convertible Note will be able to be converted by the noteholder into Shares in accordance with the terms stated below. Any unconverted Class B Convertible Notes will be repaid at maturity. The Class B Convertible Notes can be converted into Shares at the option of the noteholder at any time prior to maturity.

The conversion price for the Class B Convertible Notes is the lesser of (i) 7 cents per Share; or (ii) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue. The Class B Convertible Notes will be secured against the Company's production from Jumonville #2 and any future producing wells from the Bullseye project.

The key terms of the Class B Convertible Notes are contained in Annexure D. The Class B Convertible Notes will be issued to unrelated parties.

### **Approvals Required**

ASX Listing Rule 7.1 provides that, subject to certain exceptions, shareholder approval is required for an issue of equity securities within a 12 month period, if the number of those securities exceeds 15% of the company's securities then on issue.

The Company wishes to seek shareholder approval for the purposes of ASX Listing Rule 7.1 in order to preserve the Company's capacity to issue up to 15% of the equity securities of the Company on issue in a 12 month period.

### **The Resolutions**

Pursuant to Resolutions 6 and 7, the Company wishes to seek shareholder approval for the purposes of ASX Listing Rule 7.1 in order to preserve the Company's capacity to issue up to 15% of the equity securities of the Company on issue in a 12 month period.

For the purposes of ASX Listing Rule 7.3, the following information is provided to shareholders with respect to Resolutions 6 and 7:

- (a) The maximum number of Class B Convertible Notes to be issued pursuant to Resolution 6 is 14,285,714. The maximum number of Class B Convertible Notes to be issued pursuant to Resolution 7 is 14,285,712.
- (b) The Company will allot and issue the Class B Convertible Notes no later than 3 months after the date of the meeting, unless otherwise extended by way of ASX granting a waiver to the ASX Listing Rules.
- (c) The Class B Convertible Notes will be allotted on one date.
- (d) The Class B Convertible Notes will be issued with a face value of 7 cents each.

- (e) The Shares issued upon conversion of the Class B Convertible Notes will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing issued Shares.
- (f) The key terms and conditions of the Class B Convertible Notes are set out in Annexure D to this Explanatory Memorandum.
- (g) The allottees of the 14,285,714 Class B Convertible Notes the subject of Resolution 6 will be Tiedemann Global Emerging Markets LP (3,693,429 Class B Convertible Notes), TGEM ASIA LP (8,710,714 Class B Convertible Notes) and Tiedemann Global Emerging Markets QP LP (1,881,571 Class B Convertible Notes). The allottees of the 14,285,712 Class B Convertible Notes the subject of Resolution 7 will be a number of sophisticated, professional and other investors. None of the allottees are related parties of the Company.
- (h) No funds will be raised from the issue of the Class B Convertible Notes as they will be issued in consideration for the noteholders' agreement not to redeem certain of the convertible notes that lapsed on 15 May 2009.

The Board recommends shareholders vote in favour of Resolutions 6 and 7 as the issue of the Class B Convertible Notes will mean that the Company is effectively granted an extension to repay the original 2007 convertible notes. Should shareholder approval not be granted, the Company and the relevant noteholders must negotiate in good faith new commercial terms for repayment of the original 2007 convertible notes.

Further, shareholder approval for Resolutions 6 and 7 would preserve the Company's capacity to issue up to 15% of the equity securities of the Company on issue in a 12 month period.

## **RESOLUTION 8 – APPROVAL FOR ISSUE OF SHARES**

### **Background**

The Company is currently undertaking a drilling program on its Bullseye project in Louisiana, USA. The Company is now seeking shareholder approval to increase its issued share capital to provide the Company with the flexibility to finance such additional costs should it elect to do so.

### **Approvals Required**

ASX Listing Rule 7.1 provides that, subject to certain exceptions, shareholder approval is required for an issue of equity securities within a 12 month period, if the number of those securities exceeds 15% of the company's securities then on issue.

The Company is seeking shareholder approval for the issue of 60,000,000 Shares. The aggregate number of Shares to be issued is in excess of the 15% threshold.

Accordingly, the Company wishes to seek shareholder approval to the issue of the 60,000,000 Shares the subject of Resolution 8 for the purposes of ASX Listing Rule 7.1.

### **The Resolution**

Pursuant to Resolution 8, the Company wishes to seek shareholder approval for the purposes of ASX Listing Rule 7.1 as the issue of the maximum number of 60,000,000 Shares exceeds the 15% threshold set out in ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 7.3, the following information is provided to shareholders with respect to Resolution 8:

- (a) The maximum number of Shares to be issued pursuant to Resolution 8 is 60,000,000.
- (b) The Company will allot and issue the Shares no later than 3 months after the date of the meeting, unless otherwise extended by way of ASX granting a waiver to the ASX Listing Rules.

- (c) The Shares may be allotted progressively. The Company may not necessarily issue all 60,000,000 Shares and may issue a lesser number.
- (d) The Shares will be issued at a price of no less than 85% of the average market price calculated over the last 5 days on which sales in the Shares are recorded before the day on which the issue is agreed, or, if there is a prospectus relating to the issue, over the 5 days on which sales in the Shares are recorded before the date of the prospectus.
- (e) The Shares issued will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing issued Shares.
- (f) As at the date of the Notice, the names of the proposed allottees are not known and the number of Shares to be issued to each allottee is not known. The Company intends (but without limitation) to issue the Shares to sophisticated and professional investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act so that any offer of Shares will not require a disclosure document. None of the allottees will be related parties of the Company.
- (g) The funds raised from the issue will be used to fund additional exploration and development costs for the Company's Bullseye project. The Company will also seek to retain sufficient cash reserves to fund its working capital needs. The value of funds to be raised is unable to be ascertained given the inherent uncertainty regarding the future Share price which is subject to a range of factors, many of which are outside the control of the Company, including the general economic outlook, outlook for interest rates and inflation, currency fluctuation, commodity prices and changes in government legislation. As an indication, the Company anticipates that funds will be required to pay for the following:

<b>Project Development</b>	<b>Use of Funds</b>
Completion & development costs	\$2,200,000
General working capital	\$1,400,000

**Enquiries** - Shareholders are invited to contact Mr Chris Bowyer, Company Secretary, on (03) 9349 1488 if they have any queries in respect of the matters set out in these documents.

## GLOSSARY

"**ASX**" means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

"**ASX Listing Rules**" means the official Listing Rules of ASX from time to time with any modification or waivers in their application to the Company which ASX may grant;

"**Class A Convertible Note**" means a convertible note in the Company issued under the terms contained in Annexure A to the Explanatory Memorandum (and the terms of which are proposed to be amended as detailed in the Explanatory Memorandum (including Annexure B to the Explanatory Memorandum));

"**Class B Convertible Note**" means a convertible note in the Company issued under the terms contained in Annexure D to the Explanatory Memorandum;

"**Company**" means Golden Gate Petroleum Ltd ABN 34 090 074 785;

"**Corporations Act**" means the *Corporations Act 2001* (Cth);

"**Directors**" means the directors of the Company;

"**Eastern Convertible Note**" means a convertible note in the Company issued to Eastern Advisers Fund and the terms of which are proposed to be amended as detailed in the Explanatory Memorandum (including Annexure C to the Explanatory Memorandum);

"**EST**" means Australian Eastern Standard Time;

"**Explanatory Memorandum**" means this information attached to the Notice, which provides information to shareholders about the resolutions contained in the Notice;

"**Notice**" means the notice of meeting which accompanies this Explanatory Memorandum; and

"**Shares**" means fully paid ordinary shares issued in the capital of the Company.

## ANNEXURE A

The following are the key terms and conditions of the Class A Convertible Notes the subject of Resolutions 1, 2 and 3 being put before shareholders.

1. The unlisted Class A Convertible Notes have a face value of A\$0.09 each.
2. Certificates have been issued for the Class A Convertible Notes.
3. The Class A Convertible Notes will mature five years from the date of their issue, that is, on 5 March 2014.
4. The Class A Convertible Notes are secured by a registered first ranking fixed charge over the interest of the Company and/or any related bodies corporate over the Bullseye Project (excluding the Jumonville #1 well and associated facilities, and all reserves producible from the Jumonville #1 well).
5. The holders may also require any or all of the following securities during the duration of the Class A Convertible Notes:
  - (a) a mortgage, charge or debenture over any Shares held by the Directors (excluding any Shares held in trust or already subject to a lien); and/or
  - (b) a registered first ranking fixed and floating charge over the Company's assets and undertakings; and/or
  - (c) a registered first ranking fixed and floating charge over any of the assets and undertakings of any of the Company's related bodies corporate; and/or
  - (d) a mortgage, charge or debenture over the entire interest of the Company and any related bodies corporate in the Bullseye Project (including the Jumonville #1 well).
6. The Class A Convertible Notes bear interest at a rate which is the greater of:
  - (a) 15% per annum; or
  - (b) a monthly interest rate based on a formula involving the average monthly New York Mercantile Exchange closing price for light, sweet crude and the daily oil production from any new wells within the Bullseye Project (ie. excludes production from existing producing Bullseye wells), provided that the rate shall not be greater than 60% per annum (5% per month).
7. Interest on the Class A Convertible Notes is payable quarterly in arrears on 31 December, 31 March, 30 June and 30 September (ending on the date the Class A Convertible Notes mature or are converted).
8. If any taxes are required by law to be deducted or withheld from any amount payable upon conversion of the Class A Convertible Notes, the Company may make such deductions or withholdings but must "top up" the payment to the holder of the full amount that would have been payable as if no deduction or withholding had been required.
9. The Company will redeem the Class A Convertible Notes in the following circumstances:
  - (a) at the Company's discretion on 30 days written notice (provided that the holder may elect to convert the Class A Convertible Notes within that notice period);
  - (b) the holder so notifies the Company at any time after the date that is one year after the Class A Convertible Notes were issued;
  - (c) the holder has not elected to convert the Class A Convertible Notes by the maturity date;
  - (d) if an event of default occurs, and the holder, in its discretion, so elects;

- (e) if the Company and the holder cannot agree on an adjustment to the conversion price on a reconstruction or the holder refuses its consent to the matters set out in Item 18 below or imposes conditions on such consent which are unacceptable to the Company; or
- (f) at the holder's election upon the Company issuing any further Shares, options, convertible notes or debentures.

On redemption occurring in:

- (g) the circumstances described in (a) above, the Company must pay a break fee equivalent to  $20\% \times (\text{days to maturity}) / 365 \times \text{principal moneys}$ ;
  - (h) the circumstances described in (b) and (c) above, the Company must pay the aggregate of the principal moneys payable in respect of the Class A Convertible Notes ("**Principal Amount**") plus interest to the date of payment; or
  - (i) the circumstances described in (d), (e) and (f) above, the Company must pay the aggregate of the Principal Amount plus interest at the base rate of 15% per annum (1.25% per month) to the maturity date.
10. If a holder wishes to redeem all or a portion of its Class A Convertible Notes ("**Offered Notes**") in accordance with item 9(b) above, it must first offer all other holders the right to acquire the Offered Notes for the amount that would be payable upon redemption. Each of the other non-redeeming holders are entitled to acquire a portion of the Offered Notes equivalent to the number of Class A Convertible Notes held by that non-redeeming holder as a proportion of the aggregate number of Class A Convertible Notes then outstanding excluding all Class A Convertible Notes held by the redeeming holder.
  11. The Class A Convertible Notes can be converted by the holder providing notice to the Company ("**Conversion Notice**"), such notice to only be provided within the first five business days of the calendar month.
  12. After receipt of the Conversion Notice the Company will:
    - (a) issue such number of Shares calculated by dividing the Principal Amount by the conversion price of A\$0.09 per Share;
    - (b) apply for the Shares issued upon such conversion to be quoted on the Australian Securities Exchange; and
    - (c) subject to being able to comply with section 708A(5) of the Corporations Act, use its best endeavours to issue a cleansing notice pursuant to section 708A(5)(e) of the Corporations Act in relation to the Shares issued upon such conversion.
  13. If there is a reconstruction of the Company's issued capital, the conversion basis of the Class A Convertible Notes will also be reconstructed in a way which will not result in any additional – or loss of – benefits to the holder.
  14. If the Company undertakes a pro rata entitlement issue, it must give the holders at least 10 business days' notice of the record date set by the Company to afford the holders the opportunity to convert the Class A Convertible Notes for the purposes of participating in the issue.
  15. If the Company makes a bonus Share allotment, the holders will also be entitled to be issued bonus Shares on terms no more and no less favourable than those given to the ordinary shareholders of the Company.
  16. In the event that the Company is precluded from making payments on the Class A Convertible Notes or converting the Class A Convertible Notes into Shares for any reason (the date as of which the Company would otherwise have been obligated to make such payment or deliver such Shares being the "**Non-Performance Date**"), the holder of such Class A Convertible Notes shall receive, as partial liquidated damages and not as a penalty, a payment equal to 1.5% of the face

amount of the Class A Convertible Notes that shall be subject to such non-performance for each calendar month or portion thereof thereafter until performance of the terms of such Class A Convertible Notes is made. Such payments to the holder shall be payable in US dollars in cash on the first business day of each 30 day period following the Non-Performance Date.

17. The Class A Convertible Notes are transferable by the holder.
18. During the term of the Class A Convertible Notes the Company must, among other things, obtain the holders' prior written consent (which consent may be given, with or without conditions, in the holders' absolute discretion) before creating or allowing any new encumbrance, increasing the compensation of any officers or key employees of the Company or granting any royalty interest or dividend over any of the Company's assets.
19. If the Company issues or agrees to issue any further Shares, options, convertible notes or debentures:
  - (a) the Company must issue (subject to any necessary shareholder consent) the holder of the Class A Convertible Note additional Class A Convertible Notes so that the holder maintains the same proportion of the fully diluted capital of the Company as the holder does on the initial issue of the Class A Convertible Note; or
  - (b) at the election of each holder, the Class A Convertible Notes may be redeemed.

## ANNEXURE B

The Company has entered into letters of variation with all of the holders of Class A Convertible Notes to vary the terms of the Class A Convertible Notes as detailed below, subject to shareholder approval.

A summary of the changes to the terms of the Class A Convertible Notes are set out in the table below.

Clause Reference	Summary of Amendment
10. Dilutive Event	<p>The following clause will be deleted in its entirety:</p> <p>The clause that provides that if the Company issues or agrees to issue any further Shares, options, convertible notes or debentures:</p> <ul style="list-style-type: none"><li>(a) the Company must issue (subject to any necessary shareholder consent) the holder of the Class A Convertible Note additional Class A Convertible Notes so that the holder maintains the same proportion of the fully diluted capital of the Company as the holder does on the initial issue of the Class A Convertible Note; or</li><li>(b) at the election of each holder, the Class A Convertible Notes may be redeemed.</li></ul>
11. Defined Terms – "Conversion Price"	<p>The current conversion price of A\$0.09 per Share will be amended to the lesser of:</p> <ul style="list-style-type: none"><li>(a) A\$0.09 per Share; or</li><li>(b) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue.</li></ul>

## ANNEXURE C

The Company has entered into letters of variation with Eastern Advisers Fund to vary the terms of the Eastern Convertible Notes, subject to shareholder approval.

A summary of the changes to the terms of the Eastern Convertible Notes are set out in the table below.

Clause Reference	Summary of Amendment
2.2. Withholding Tax	<p>The clause shall be amended to read:</p> <p>All payments by the Company in respect of the Eastern Convertible Notes shall be made without withholding or deduction for any taxes unless the withholding or deduction is required by law. If the withholding or deduction is required by law, the Company shall pay such additional amounts necessary in order that the net amounts received by the noteholder after the withholding or deduction are equal to the amounts which would have been received in respect of the Eastern Convertible Notes in the absence of the withholding or deduction.</p> <p>The current clause (to be amended as above) states that:</p> <ul style="list-style-type: none"> <li>(i) all payments to the noteholder are to be made net of any tax required by law to be withheld or deducted, except to the extent that the Company is satisfied that the noteholder is exempt from any such tax or is a person in respect of whom any such withholding or deduction is not required to be made; and</li> <li>(ii) the Company may make any withholding or deduction from any amount payable to the noteholder in respect of the Eastern Convertible Notes for withholding or other tax required by law to be withheld or deducted. Where such withholding or deduction has been made and the amount accounted for by the Company to the relevant taxing authority and the balance of the amount payable has been paid to the noteholder, the full amount payable to such noteholder will be deemed to have been duly paid and satisfied by the Company.</li> </ul>
2.1. Interest Rate	<p>The interest rate payable on the Eastern Convertible Notes will be increased from 10% per annum to 15% per annum.</p>
9. Defined Terms – "Conversion Price"	<p>The current conversion price of A\$0.265 per Share will be amended to the lesser of:</p> <ul style="list-style-type: none"> <li>(a) A\$0.07 per Share; or</li> </ul>

	<p>(b) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue.</p> <p>The Company is proposing to also amend the face value of the Eastern Convertible Notes to 7 cents each. This will mean that, subject to shareholder approval pursuant to Resolution 5, the Company will issue an additional 10,512,129 Eastern Convertible Notes (as amended) to Eastern Advisers Fund.</p>
9. Defined Terms – "Maturity Date"	The current term of the Eastern Convertible Notes will be extended by one year, to 15 May 2010.

## ANNEXURE D

The following are the key terms and conditions of the Class B Convertible Notes the subject of Resolutions 6 and 7 being put before shareholders.

1. The unlisted Class B Convertible Notes will have a face value of A\$0.07 each.
2. Certificates will be issued for the Class B Convertible Notes.
3. The Class B Convertible Notes will mature one year from the date of their issue.
4. The Class B Convertible Notes are secured by a fixed charge against the Mid Frio La Playa Well #1, La Playa ST938 Well #1 and Dunn Peach Well #6, all located on Padre Island, Texas, USA.
5. The Class B Convertible Notes bear interest at a rate of 15% per annum, payable quarterly in arrears on 31 December, 31 March, 30 June and 30 September (ending on the date the Class B Convertible Notes mature or are converted).
6. All payments by the Company in respect of the Class B Convertible Notes shall be made without withholding or deduction for any taxes unless the withholding or deduction is required by law. If the withholding or deduction is required by law, the Company shall pay such additional amounts necessary in order that the net amounts received by the noteholder after the withholding or deduction are equal to the amounts which would have been received in respect of the Class B Convertible Notes in the absence of the withholding or deduction.
7. The Company will redeem the Class B Convertible Notes in the following circumstances:
  - (a) the holder has not elected to convert the Class B Convertible Notes by the maturity date; or
  - (b) if an event of default occurs, and the holder, in its discretion, so elects.The holder is not entitled to require redemption of the Class B Convertible Notes in any other circumstances.
8. The Class B Convertible Notes can be converted into Shares by the holder providing notice to the Company ("**Conversion Notice**"), such notice to only be provided within the first five business days of the calendar month.
9. After receipt of the Conversion Notice the Company will:
  - (a) issue such number of Shares calculated by dividing the principal amount by the conversion price which is the lesser of:
    - (i) A\$0.07 per Share; or
    - (ii) the price that is 90% of the average market price of Shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue;
  - (b) apply for the Shares issued upon such conversion to be quoted on the Australian Securities Exchange; and
  - (c) subject to being able to comply with section 708A(5) of the Corporations Act, use its best endeavours to issue a cleansing notice pursuant to section 708A(5)(e) of the Corporations Act in relation to the Shares issued upon such conversion.
10. If there is a reconstruction of the Company's issued capital, the conversion basis of the Class B Convertible Notes will also be reconstructed in a way which will not result in any additional – or loss of - benefits to the holder.
11. If the Company undertakes a pro rata entitlement issue, it must give the holders at least 10 business days' notice of the record date set by the Company to afford the holders the opportunity to convert the Class B Convertible Notes for the purposes of participating in the issue.
12. If the Company makes a bonus Share allotment, the holders will also be entitled to be issued bonus Shares on terms no more and no less favourable than those given to the ordinary shareholders of the Company.
13. The Class B Convertible Notes are transferable by the holder.