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PADRE ISLAND UPDATE

HOMERUN # 1 (10% working interest) – Location: Padre Island

Homerun #1 successfully flow tested gas from Zone 2. The Joint Venture decided to fracture stimulate the producing zone in order to enhance the production rate. Unfortunately post the fracture stimulation and prior to the recovery of the frac fluid the well bore became obstructed possibly due to failure of the well casing. Exhaustive attempts to clear the obstruction failed.

Zone 3 was subsequently perforated and tested. Swabbing of Zone 3 did not instigate a sustained flow of gas but 14 barrels of light oil were recovered from the swab pipe indicating the presence of oil in the reservoir. A mini frac of the zone did not result in any sustained flow and given the damage to the well bore the Joint Venture has elected to plug and abandon the well.

The discovery of oil and gas and the successful initial unstimulated flow tests at both LaPlaya Deep #1 and Homerun #1 have confirmed the prospectivity of the deep section beneath Padre Island. The technical challenge is to now successfully implement a fracture stimulation program in these deep hydrocarbon bearing zones. Other operators in the region have successfully implemented fracture stimulation programs in similar reservoirs.

The Company has a large acreage position across Padre Island with several large prospects ready to drill ranging in potential from 90 bcf to 1 tcf. Many of these prospects are located on a part of the Island where the Joint Venture's depositional models indicate thicker and better quality reservoirs.

The Padre Island drilling program is currently being delayed by the takeover of the JV operator (Novus Petroleum Ltd) by Medco Energi and the subsequent decision to sell Novus' US assets. Golden Gate understands that the trade sale of Novus' US assets is nearing completion and consequently active exploration should recommence.

Some of the best prospects at Padre Island remain to be drilled and it is anticipated that drilling on these prospects will commence later this year.

On behalf of the
Board of Directors

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