

**VALDERA RESOURCES**  
LIMITED (ABN 34 090 074 785)

50 COLIN STREET  
WEST·PERTH·WA·6005

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17 April 2003

Australian Stock Exchange  
Company Announcements  
20 Bridge Street  
Sydney NSW 2000

**NOTICE OF GENERAL MEETING, PROXY FORM, EXPLANATORY MEMORANDUM &  
INDEPENDENT EXPERT'S REPORT**

Please see attached announcement for release.

If you have any queries in relation to the above, please do not hesitate to contact me.

Yours faithfully



Mark Freeman  
Company Secretary

V A L D E R A   R E S O U R C E S   L I M I T E D

A B N   3 4   0 9 0   0 7 4   7 8 5

Notice of General Meeting

Proxy Form

Explanatory Memorandum

and

Independent Expert's Report

Date of Meeting: 16 May 2003

Place:                   Ground Floor  
                              50 Colin Street  
                              West Perth, Western Australia

Time:                    10.00 am

# V A L D E R A R E S O U R C E S L I M I T E D

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Dear Shareholder

Please find attached a notice of general meeting for Valdera Resources Limited. This general meeting has been convened to seek shareholder approval for Valdera to become a participant in the global gas industry by merging with Golden Gate Resources Limited. Following the merger, Golden Gate will become a wholly owned subsidiary of Valdera and the name of the Company will be changed to Golden Gate Petroleum Limited.

The principal asset of Golden Gate, and the reason for the merger, is a 10% participating interest in the Padre Island Joint Venture. This Joint Venture has spent years accumulating a large, world-class portfolio of acreage prospective for gas along Padre Island in Texas on the Gulf of Mexico coastline. To date, 3 wells have been drilled with 2 successfully in production. A further 33 prospects are ready for drilling. A review of the Padre Island project is set out in the attached independent technical report and I strongly recommend you read this document.

If the Golden Gate merger proceeds, Valdera will undertake an orderly disposal of its existing base metals exploration assets. The directors of Valdera are recommending this change in direction for the following reasons:

- Last year the Company drilled its five leading base metals exploration projects. Although mineralisation was encountered in all programs, the grades were sub-economic other than a small nickel sulphide resource at Corkwood.
- The Padre Island gas exploration project represents an outstanding investment opportunity with a higher likelihood of success than a continuation of Valdera's existing exploration activities into its next tier of base metal targets.
- The Padre Island project has 33 gas prospects ready for drilling. The total risked net present value of these prospects is very substantial. Over time, the project is likely to generate substantial returns for shareholders.
- Being part of a larger merged company, with world-class exploration and production assets, is more likely to create a strong, liquid market for Valdera's listed securities.
- The Directors have commissioned an independent technical report into the merit of the Padre Island project. This report is highly favourable as to the quality and potential value of the project.

I recommend this initiative to shareholders. The merged company will have a suite of production and near production gas assets likely to evolve into a substantial and highly profitable undertaking.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Craig Burton', written in a cursive style.

Craig Burton  
Executive Director

# V A L D E R A   R E S O U R C E S   L I M I T E D

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## NOTICE OF A GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a General Meeting of members of Valdera Resources Limited ("**Valdera**" or the "**Company**") will be held at Ground Floor, 50 Colin Street, West Perth, Western Australia on 16 May 2003 at 10.00 am.

The accompanying Explanatory Memorandum, Proxy Form and Independent Assessment of the Padre Island Gas Project provide additional information relating to matters to be considered at the meeting, and form part of this Notice of General Meeting ("**Notice**").

Certain terms and abbreviations used in this Notice of Meeting and the accompanying Explanatory Memorandum have defined meanings, which are explained in the accompanying Explanatory Memorandum.

## A G E N D A

### SPECIAL BUSINESS

#### 1.    **CONSOLIDATION OF CAPITAL**

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

*"That, subject to Resolutions 2, 3 and 4 being passed, pursuant to and in accordance with section 254H of the Corporations Act and rule 39 of the Company's Constitution and for all other purposes, with effect from the date the merger with Golden Gate Resources Limited becomes effective, the then issued capital of the Company be consolidated on the basis that every 2.6 fully paid ordinary shares in the capital of the Company be consolidated into one fully paid ordinary share and where the number of shares held by a member of the Company as a result of the consolidation effected by this Resolution includes any fraction of a share, those fractions be cancelled and extinguished."*

#### 2.    **APPROVAL OF CHANGE OF ACTIVITIES**

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

*"That, subject to Resolutions 1, 3 and 4 being passed pursuant to and in accordance with Listing Rules 11.1 and 11.2, the Company approves the change in nature of the Company's activities from a mineral resources exploration company to an oil and gas exploration and production company and the Company be authorised to dispose of its mineral resources interests."*

<p>The Company will disregard any votes cast on Resolution 2 by a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if Resolution 2 is passed, and any associate of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by a 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.</p>
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### 3. MERGER WITH GOLDEN GATE

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

*"That, subject to Resolutions 1, 2 and 4 being passed, pursuant to and in accordance with Listing Rules 7.1 and for all other purposes, and subject to the consolidation the subject of Resolution 1 taking effect, the Company:*

- (a) agrees to the execution by the Company of agreements whereby the Company will acquire all of the issued capital of Golden Gate as more particularly described in the Explanatory Memorandum accompanying this Notice of Meeting and the performance by the Company of its obligations under those agreements;*
- (b) approves and authorises the directors to allot, issue and grant to the Golden Gate Security Holders, in accordance with the agreements referred to in paragraph (a) of this Resolution, a total of:*
  - (i) 96,007,944 fully paid ordinary shares in the capital of the Company;*
  - (ii) 8,000,000 options to acquire fully paid ordinary shares in the capital of the Company at an issue price of 30 cents each and an expiry date being three years after their date of grant;*
  - (iii) 600,000 options to acquire fully paid ordinary shares in the capital of the Company at an issue price of 20 cents each and an expiry date being 31 May 2003;*
  - (iv) 960,000 options to acquire fully paid ordinary shares in the capital of the Company at an issue price of 20 cents each and an expiry date being 31 May 2006; and*
  - (v) 800,000 options to acquire fully paid ordinary shares in the capital of the Company at an issue price of 44 cents each and an expiry date being 18 February 2007; and*
- (c) approves and authorises the directors to grant to certain parties as described in the Explanatory Memorandum accompanying this Notice of Meeting, in accordance with the agreements referred to in paragraph (a) of this Resolution, a total of 3,000,000 options to acquire fully paid ordinary shares in the capital of the Company at an issue price of 30 cents each and an expiry date being three years after their date of grant.*

<p>The Company will disregard any votes cast on Resolution 3 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity as a security holder, if Resolution 3 is passed or any associates of those persons. However the Company need not disregard a vote if:</p> <ul style="list-style-type: none"><li>(i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or</li><li>(ii) 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.</li></ul>
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#### **4. AUTHORITY TO MAKE PLACEMENT OF SECURITIES**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That, subject to Resolutions 1, 2 and 3 being passed, pursuant to and in accordance with Listing Rule 7.1 and all other purposes, and subject to the consolidation referred to in Resolution 1 taking effect, the Company approves and authorises the Directors to allot and issue up to 10,000,000 fully paid ordinary shares in the capital of the Company at an issue price of 20 cents each, and, at the directors discretion, free attaching options on the same terms as the Existing Options (as amended) on issue, at a maximum ratio of one to one, to be issued and allotted pursuant to a prospectus to such persons as the Directors in their absolute discretion may determine, and on the terms and conditions and in the manner set out in the Explanatory Memorandum accompanying this Notice."*

For the purposes of Listing Rule 7.3.8 the Company will offer Shares and options the subject of Resolution 4 to all holders of ordinary shares in priority to anyone else, and will issue them in a fair and equitable manner. Apart from an agreement for the allotment of securities, the Company will limit the number of shares it issues to a holder of ordinary shares to the higher of 5% of all the shares being offered and the number the holder would be entitled to under a pro rata issue of all those shares.
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#### **5. ELECTION OF DIRECTOR – MR RUSSOTTI**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That, subject to the merger with Golden Gate Resources Limited being effected, Mr Salvatore (Sam) Russotti being eligible, offers himself for election, be elected as a director of the Company."*

#### **6. ELECTION OF DIRECTOR – MR PETRUZZELLI**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That, subject to the merger with Golden Gate Resources Limited being effected, Mr Francesco (Frank) Petruzzelli being eligible, offers himself for election, be elected as a director of the Company."*

#### **7. CHANGE OF COMPANY NAME**

To consider, and if thought fit, to pass with or without amendment, the following resolution as a special resolution:

*"That, subject to the merger with Golden Gate Resources Limited being effected, pursuant to and in accordance with Section 157 of the Corporations Act, the name of the Company be changed to "Golden Gate Petroleum Limited".*

#### **8. GRANT OF OPTIONS TO MR RUSSOTTI**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That, pursuant to and in accordance with Listing Rule 10.11 and section 208 of the Corporations Act and for all other purposes, the Company approves and authorise the Directors to grant to Mr Salvatore (Sam) Russotti (or his nominee or nominees) 700,000 of the 3,000,000 options referred to in paragraph (c) of Resolution 3, on the terms and*

*conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting."*

The Company will in accordance with section 224 of the Corporations Act disregard any votes cast on Resolution 8 by Mr Russotti and any associate of Mr Russotti. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed resolution and it is not cast on behalf of Mr Russotti or an associate of Mr Russotti.

## **9. EXTENSION OF EXPIRY DATE OF EXISTING OPTIONS**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

*"That, subject to Resolutions 1, 2, and 4 being passed and to the consolidation the subject of Resolution 1 taking effect, the terms of the then issued Existing Options to acquire fully paid shares in the capital of the Company be changed by increasing the period of exercise to 31 December 2006."*

The Company will disregard any votes cast on Resolution 9 by any person who is also a holder of Existing Options or their associates. However the Company need not disregard a vote if:

- (i) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (ii) 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.

## **BY ORDER OF THE BOARD**



**Craig Burton**  
**Director**

Dated: 16 April 2003  
**Voting Entitlement**

For the purposes of regulation 7.11.37 of the Corporations Regulations, all Shares of the Company that are quoted on the Australian Stock Exchange Limited at the End of Day on 14 May 2003 shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the shares at that time.

## **Proxies**

A member entitled to attend and vote at the General Meeting of the Company may appoint a natural person as the member's proxy to attend and vote for the member at that meeting. If the member is entitled to cast 2 or more votes at the General Meeting the member may appoint not more than 2 proxies. Where the member appoints more than one proxy the member may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the member's votes. A proxy may, but need not be, a member of the Company.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the registered office of the Company (Ground Floor, 50 Colin Street, West Perth, Western Australia, 6005, or by post to PO Box 453, West Perth, Western Australia, 6872 or Facsimile (08) 9324 2171 if faxed from within Australia or +618 9324 2171 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the General Meeting in the place where the General Meeting is being convened.

For the convenience of members a Proxy Form is enclosed with this Notice of General Meeting.

### **Interdependent Resolutions**

Resolutions 1, 2, 3 and 4 are interdependent and none of them will be given effect to unless all those Resolutions are passed by the requisite majority.

**VALDERA RESOURCES LIMITED**  
ABN 34 090 074 785

**PROXY FORM**

The Company Secretary  
Valdera Resources Limited

**By delivery:**  
Ground Floor, 50 Colin Street  
WEST PERTH WA 6005

**By post:**  
PO Box 453  
WEST PERTH WA 6872

**By facsimile:**  
+61 8 9324 2171

I/We <sup>1</sup> \_\_\_\_\_  
of \_\_\_\_\_ being a  
member/members of Valdera Resources Limited and entitled to \_\_\_\_\_  
votes in the Company, hereby appoint <sup>2</sup> \_\_\_\_\_

or failing him the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the General Meeting of the Company to be held at Ground Floor, 50 Colin Street, West Perth, Western Australia on 16 May 2003 at 10.00 am and at any adjournment thereof in the manner indicated below or, in the absence of indication, as he thinks fit. If 2 proxies are appointed, the proportion or number of votes of this proxy is authorised to exercise is \* [ ] % of the member's votes\*/ [ ] of the member's votes. (An additional Proxy Form will be supplied by the Company, on request).

**INSTRUCTIONS AS TO VOTING ON RESOLUTIONS**

The proxy is to vote for or against the resolutions referred to in the notice convening the General Meeting, as follows:

If you do not wish to direct your proxy how to vote, please place a mark in each of the boxes under the heading "Chair". The Chair will be voting **for** the resolutions. By marking these boxes, you acknowledge that the Chair may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

		<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Chair</b>
Resolution 1	Consolidation of share capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Resolution 2	Approval of Change in Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Merger with Golden Gate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Placement of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Election of Mr Russotti	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Resolution 6	Election of Mr Petruzzelli	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Resolution 7	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Resolution 8	Grant of Options to Mr Russotti	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Resolution 9	Extension of Expiry Date of Existing Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Authorised signature/s** This section **must** be signed in accordance with the instructions overleaf to enable your voting instructions to be implemented.

Individual or Shareholder 1

Shareholder 2

Shareholder 3

Sole Director and  
Sole Company Secretary

Director

Director/Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

<sup>1</sup>Insert name and address of shareholder

<sup>2</sup>Insert name and address of proxy

\*Omit if not applicable

**Proxy Notes:**

A member entitled to attend and vote at the General Meeting of the Company may appoint a natural person as the member's proxy to attend and vote for the member at that meeting. If the member is entitled to cast 2 or more votes at the General Meeting the member may appoint not more than 2 proxies. Where the member appoints more than one proxy the member may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the member's votes. A proxy may, but need not be, a member of the Company.

You must sign this form as follows in the spaces provided:

Joint Holding:                    where the holding is in more than one name all of the holders must sign.

Power of Attorney:            if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies:                      a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the registered office of the Company (Ground Floor, 50 Colin Street, West Perth, Western Australia, 6005, or by post to PO Box 453, West Perth, Western Australia, 6872 or Facsimile (08) 9324 2171 if faxed from within Australia or +618 9324 2171 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the General Meeting in the place where the General Meeting is being convened.

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**VALDERA RESOURCES LIMITED**

**ABN 34 090 074 785**

**EXPLANATORY MEMORANDUM**

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# VALDERA RESOURCES LIMITED

ABN 34 090 074 785

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## EXPLANATORY MEMORANDUM

### 1. INTRODUCTION

This Explanatory Memorandum has been prepared for the information of members in Valdera Resources Limited ("**Valdera**" or "**Company**") in connection with the business to be conducted at the General Meeting of members to be held at Ground Floor, 50 Colin Street, West Perth, Western Australia, on 16 May 2003 at 10.00 am ("**Meeting**").

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Meeting.

This Explanatory Memorandum deals with the following matters to be considered at the Meeting:

- The consolidation of the Company's share capital on the basis that every 2.6 Shares currently held be consolidated into one Share (Resolution 1);
- The change of activities of the Company to an oil and gas exploration company and the disposal of the existing mineral assets of the Company (Resolution 2);
- The merger with Golden Gate (Resolution 3);
- Placement of up to 10,000,000 Shares at 20 cents each and free attaching options (Resolution 4);
- Election of Mr Russotti as a Director (Resolution 5);
- Election of Mr Petruzzelli as a Director (Resolution 6);
- Change of the Company's name to Golden Gate Petroleum Limited (Resolution 7);
- Permission to grant 700,000 options to Mr Russotti (Resolution 8); and
- Extension of expiry date of Existing Options (Resolution 9).

An Independent Assessment of Golden Gate's Padre Island Gas Project prepared by Langusch & Associates is attached to this Explanatory Memorandum as Annexure A.

### 2. BRIEF HISTORY

Valdera was incorporated in Australia in 1999 as a base metals exploration company and was admitted to quotation on ASX on 8 May 2002.

In February 2003, Valdera announced the proposed merger with Golden Gate Resources Limited, a Canadian company listed on the TSX Venture Exchange which is involved in petroleum exploration and production activities in Texas, United States of America.

Upon the completion of the merger with Golden Gate, Valdera will become a focussed petroleum exploration and production company with a portfolio of Gulf of Mexico exploration acreage containing world-class prospects.

### 3. SUMMARY OF THE TRANSACTION

#### Merger Terms

The Company has entered into an Arrangement Agreement with Golden Gate dated 19 March 2003 ("**Agreement**") whereby the Company will merge with Golden Gate by way of a Plan of Arrangement under the laws of the Yukon Territory, Canada. Upon completion of the merger, Valdera will be the registered holder of all of the issued and outstanding common shares in the capital of Golden Gate.

Pursuant to the merger, Valdera will issue the following Shares and options (following the 2.6 to 1 consolidation taking effect) in consideration for the exchange of the Golden Gate shares and the cancellation of the Golden Gate warrants and options on issue:

Type of Golden Gate Security	Number	Type of Valdera Security to be Issued (following consolidation)	Number
Common Shares	60,004,965	Ordinary Shares	96,007,944
Warrants exercisable at Cdn30 cents up to May 31, 2003	7,000,000	Valdera options exercisable at A30cents by a date being 3 years after issue	8,000,000
Warrants exercisable at Cdn45 cents up to May 31, 2003	2,000,000		
Stock options exercisable at Cdn15 cents up to May 31, 2003	375,000	Valdera options exercisable at A20 cents on or before 31 May 2003	600,000
Incentive stock options exercisable at Cdn15 cents up to May 23, 2006	400,000	Valdera options exercisable at A20 cents on or before 31 May 2006	960,000
Incentive stock options exercisable at Cdn63 cents up to February 18, 2007	500,000	Valdera options exercisable at A44 cents on or before 18 February 2007	800,000

In addition, Valdera will grant 3,000,000 options exercisable at 30 cents each by a date being 3 years after issue. Two million of these options are to be issued as determined by the existing board of Golden Gate, which has determined that 700,000 of these 2,000,000 options are to be granted to Mr Russotti and which is the subject of Resolution 8. One million of the 3,000,000 options are to be issued as determined by the existing board of Valdera.

The ASX may determine that some of the Shares and options being issued and granted pursuant to the transaction will be classified as restricted securities for the purposes of the Listing Rules.

## Restructure of Valdera's Existing Mineral Interests

To ensure the merged entity is focussed on Golden Gate's Padre Island project, it is a term of the merger that the existing assets of Valdera are transferred out of the Company. Accordingly, Valdera will restructure its existing assets and liabilities as follows:

- (a) Valdera will retain \$1,900,000 in cash on deposit.
- (b) With effect from 31 January 2003, all other assets and liabilities of Valdera will be transferred to its wholly owned subsidiary Southdale Holdings Pty Ltd ("Southdale") and Southdale will owe Valdera \$250,000.
- (c) Valdera and Southdale will use their best endeavours to realise at least \$250,000 through either the disposal of the Southdale shares and the loan account or the disposal of the assets of Southdale or its subsidiary.

## Conditions Precedent

The conditions precedent in the Arrangement Agreement include:

- (a) Valdera and Golden Gate obtaining all necessary regulatory and shareholder approvals.
- (b) Golden Gate obtaining approval from the Supreme Court of the Yukon Territory.
- (c) Golden Gate obtaining all necessary consents of the holders of Golden Gate stock options and warrants.
- (d) Valdera completing its capital raising.
- (e) The realisation of at least \$250,000 upon disposal of mineral assets as described above.
- (f) No material adverse change occurring in the financial position of Golden Gate, excluding the results of any planned exploration wells.

In the event the merger fails to proceed because a party fails to obtain the necessary shareholder, optionholder or court approval that party must pay the other party Cdn\$200,000. This may be satisfied either in cash or, at the election of the paying party, shares based upon the weighted average trading price over the 20 trading days prior to termination of the merger agreement.

## Capital Structure

The capital structure of the Company following the merger and capital raising will be as follows:

<b>SHARES</b>	
Existing issued Shares (following consolidation)	18,754,315
Proposed merger Shares	96,007,944
Proposed placement Shares	10,000,000
<b>Total shares</b>	<b>124,762,259</b>

<b>OPTIONS</b>	
Existing Options exercisable at 65 cents by 31 December 2006 (listed) <sup>1</sup>	18,461,538
Options exercisable at 30 cents by a date being 3 years after issue	8,000,000
Options exercisable at 20 cents by 31 May 2003	600,000
Options exercisable at 20 cents by 31 May 2006	960,000
Options exercisable at 44 cents by 18 February 2007	800,000
Options exercisable at 30 cents by a date being 3 years after issue	3,000,000

<sup>1</sup> Assuming shareholders approve the extension of expiry date of Existing Options from 1 June 2005 to 31 December 2006.

### **Proposed New Directors**

Mr Sam Russotti will join the board of Valdera as Executive Director and Mr Frank Petruzzelli will join the board as a Non-Executive Director.

### **Name Change**

Valdera will change its name to Golden Gate Petroleum Limited, reflecting its new direction.

### **Consolidation**

The Company will consolidate its existing share capital on the basis that every 2.6 Shares in the capital of the Company be consolidated into one Share and the Existing Options on issue will be reconstructed in a similar manner in accordance with their terms and the Listing Rules.

### **Capital Raising**

Valdera will be required to raise capital for the purposes of achieving its business objectives and satisfying the requirements of the Listing Rules in relation to the re-listing of its securities. Following the proposed consolidation taking effect, the Directors intend to issue up to 10,000,000 Shares at an issue price of 20 cents each to raise up to \$2,000,000. The directors also have the discretion to issue free attaching options on the same terms as Existing Options on a maximum ratio of one to one.

### **Details of Golden Gate Resources Limited**

Golden Gate was incorporated in Canada. The principal asset of Golden Gate is a 10% participating interest in The Padre Island Joint Venture. Padre Island, located in Texas on the Gulf of Mexico coastline, is a proven hydrocarbon producing area. The joint venture consists of operator, BNP Petroleum, a private Texas corporation (30%), Novus Petroleum, an ASX listed company (40%), Mitsui Oil, a subsidiary of the giant Mitsui Corporation (20%) and Golden Gate (10%).

### ***Petroleum Interests***

#### **Padre Island Joint Venture**

The Padre Island Joint Venture has acquired 142 drilling leases to date, covering an area of 25,000 hectares along Padre Island, through 3 phases of acquisition activity, with an option to acquire a further 12,000 hectares (see the map in Annexure B). These drilling

leases are located within a JV project area that is 130 kilometres long by 10 km wide. The joint venture has acquired and is interpreting 124,000 hectares of 3D seismic data within the project area.

Golden Gate has spent over A\$10 million in acquiring and participating in its 10% joint venture interest. Under Golden Gate's acquisition terms, a premium of 3.33% remains payable on the drilling costs of the next 7 exploration wells (but not completion costs or appraisal and development wells), i.e. 13.33% of drilling expenditure for a 10% working interest.

The Joint Venture's neighbours around Padre Island include industry majors Woodside, El Paso, Santos and Spinnaker Oil.

### **3D Seismic**

The Joint Venture's principal target is new, previously unexplored prospects within the project area with the potential for significant additional reserves and early cash flow. The new 3D seismic data invariably images the reservoir section much better than when the fields were first exploited. Experience elsewhere in Texas indicates that modern technology, such as 3D seismic, directional drilling and stratigraphic techniques, can substantially increase the original reserves of undrilled fault blocks, attic gas and other previously unrecognised development prospects.

To date, the project area has produced 1.7 tcf (cumulative) of gas from the development of more than 21 fields. The gas is connected into the gas grid of Southern Texas through a working gas-gathering pipeline system on Padre Island, which is accessible throughout the project area. The pipeline system, which has significant unused capacity, is a common carrier available to all gas producers.

### **US Gas Producer Benefits**

Gas producers in the US enjoy high prices (currently around US\$6 per mcf), modest corporate tax rates, wide-ranging exploration allowances and comparatively low drilling and other onshore services costs. Onshore completion and production costs at locations like Padre Island are substantially lower than offshore deep-water. In addition, discoveries can usually be brought on line quickly.

The United States is the biggest gas market in the world, larger than the next eight biggest gas consuming nations combined. Consumption in the US is forecast to increase to over 30tcf pa by 2015, equivalent to over 1.5 bcf a day growth in annual consumption. The Gulf of Mexico currently contributes about 24% of the US supply.

The long-term supply-demand gap cannot be met through storage reductions and new natural gas projects will take several years to develop. Substantial brownfield discoveries are required in the US to achieve the necessary increase in domestic production.

### **Successful Drilling and Production**

Since inception the Joint Venture has drilled three exploration wells. All three wells encountered producible gas and were completed and tied into the South Texas gas grid. At the time of writing LaPlay#1 is producing at a rate of 2.8 mmcf per day and West Bird#1 has been completed and is expected to commence production at a rate of approximately 2.0 mmcf per day by early April 2003. Dunn-Murdock#1 has depleted its original zone of production; however plans are being made to restore production by re-completing the well

in a different zone. Golden Gate's share of the combined revenue from these wells is expected to exceed A\$1,000,000 pa.

### **Coming Work and Programs**

Golden Gate will participate in the drilling of a further three exploration wells in the first half of 2003; Jack Frost (estimated pre-drill potential reserves of 5-10bcf), Dancer (5-10bcf) and HomeRun (50-200+bcf). Golden Gate's share of the cost of drilling these wells will be approximately A\$1,200,000.

The 3D seismic and interpretation work undertaken by the JV to date has identified 33 prospects that have been matured to the drilling stage:

- 18 with estimated pre-drill reserve potential of 3-25 bcf
- 5 with estimated pre-drill reserve potential of 30-250 bcf
- 8 with estimated pre-drill reserve potential of 200-800 bcf
- 2 with estimated pre-drill reserve potential of 900+ bcf

There are also at least 18 leads in the process of being analysed, which are likely to result in further drillable prospects.

Golden Gate intends to continue to participate in the drilling of a combination of smaller, lower cost, lower risk prospects and larger, deeper prospects. In addition to the three wells committed for the first half of 2003, the Joint Venture is likely to approve a further three prospects for drilling in the second half. This rate of exploration can be expected to continue for many years.

Given the production history of the project area, the quality of the 3D seismic data, and the recent success rates in the region, the Padre Island prospects are likely to generate a relatively high success rate. The Joint Venture's success rate to date stands at 2 out of 3, with the third well failing to hit the primary target zone due to drilling problems, but encountered two small shallower gas zones.

### **BP Farm-in of Ultra Deep Prospects**

In addition to the above prospects there are further large-scale opportunities at greater depths ie below 15,000 feet. The Joint Venture recently announced a farm-out of these ultra deep prospects to oil giant, BP. Under this farm-out, BP is undertaking a full technical feasibility study of the ultra deep prospects (estimated to cost US\$10 million) to be completed within nine months. Thereupon, BP can elect to drill ultra deep targets at its cost. The Joint Venture retains a 25% interest in the ultra deep prospects drilled by BP carried into production.

The BP farm-out gives the Joint Venture participants the opportunity to participate in the high cost, high yield ultra deep plays without financial exposure.

### **Australian Assets**

Golden Gate also has interests in a number of Australian prospects, which are not considered to be material.

## Financial Information - Pro Forma Post Merger Consolidated Balance Sheet

	<b>Valdera 31/1/2003</b>	<b>Golden Gate 31/1/2003</b>	<b>Adj</b>	
<b>Current Assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash assets	1,900,000	942,029	275,000	3,117,029
Receivables	250,000	16,201		266,201
<b>Total Current Assets</b>	<b>2,150,000</b>	<b>958,231</b>	<b>275,000</b>	<b>3,383,231</b>
<b>Non-Current Assets</b>				
Property, plant and equipment		5,501		5,501
Deferred exploration, evaluation and development expenditure		11,918,744		11,918,744
<b>Total Non-Current Assets</b>		<b>11,924,245</b>		<b>11,924,245</b>
<b>Total Assets</b>	<b>2,150,000</b>	<b>12,882,475</b>	<b>275,000</b>	<b>15,032,475</b>
<b>Current Liabilities</b>				
Payables		714,193		714,193
Loan		1,252,896		1,252,896
<b>Total Current Liabilities</b>		<b>1,967,089</b>		<b>1,967,089</b>
<b>Total Liabilities</b>		<b>1,967,089</b>		<b>1,967,089</b>
<b>Net Assets</b>	<b>2,150,000</b>	<b>10,915,386</b>	<b>275,000</b>	<b>13,340,386</b>

This Pro forma is based on unaudited management accounts as at 31 January 2003. The Pro forma has been prepared on the basis that the following transactions have taken place:

1. The transfer to Southdale of all Valdera's assets and liabilities except \$1,900,000 in cash with a \$250,000 receivable from Southdale. Southdale has not been consolidated.
2. The issue of 2,500,000 Shares at a price of 20 cents to raise \$500,000 under the proposed capital raising.
3. The payment of costs incurred by the Company in relation to the capital raising and the merger estimated to be \$225,000.

#### 4. **RESOLUTION 1 – CONSOLIDATION OF SHARE CAPITAL**

Resolution 1 seeks shareholder approval to consolidate the Company's issued share capital by consolidating every 2.6 existing Shares into one new Share.

At the date of this Notice, there were 48,731,291 Shares on issue.

The result of the consolidation is that each member's shareholding will be reduced to just over one third of its current level (fractions of a security resulting from the consolidation being cancelled and extinguished). Each member's proportional interest in the Company's share capital will, however, remain unchanged as a result of the consolidation.

##### **Effect on Existing Options**

If the consolidation takes effect, the Company's Existing Options will also be reconstructed in accordance with their terms and the Listing Rules.

The number of Existing Options will be reconstructed by consolidating every 2.6 Existing Options into one new option and increasing the exercise price of the option by 2.6 times from 25 cents each to 65 cents each. The Company has obtained a waiver from the ASX to permit the current expiry date of the Existing Options of 1 June 2005 to become 31 December 2006, subject to the merger proceeding and shareholder approval.

##### **Implementation of the Consolidation**

The consolidation will take effect on the date the merger with Golden Gate Resources Limited becomes effective ("**Effective Date**").

As from the day that is 4 Business Days after the Effective Date, Valdera may not register transfers on a pre-consolidation basis. In the case of certificated holdings, this is the last day for Valdera to accept transfers accompanied by certificates issued before the consolidation.

The Company will send a notice to all members and Existing Option holders not earlier than the fifth Business Day after the Effective Date and not later than the ninth Business Day after the Effective Date advising of the number of securities held by each person both before and after the consolidation and reconstruction.

Uncertificated security holding statements or certificates (as applicable) for the securities will be delivered by the Company to those persons not earlier than the fifth Business Day after (but not including) the Effective Date and not later than the ninth Business Day after (but not including) the Effective Date.

The Company will, from the date that is five Business Days after the Effective Date, reject transfers accompanied by a certificate that was issued before the consolidation.

Where a person has sold his or her securities in the Company prior to the consolidation of Shares or reconstruction of Existing Options and the Company receives a valid transfer executed by the person together with a certificate (if applicable) for those shares or options, the Company will send an uncertificated security holding statement or certificate (as applicable) for the new securities (in respect to the shares or options) to the transferee named in the transfer.

## **Fractional Entitlements**

The capital consolidation and reconstruction will result in any person whose existing holding of Shares or Existing Options is not a multiple of 2.6 receiving a fraction of a share or an option. These fractional entitlements will be eliminated as part of the consolidation, so that the consolidated holding will be rounded down to the nearest whole number.

## **5. RESOLUTION 2 - APPROVAL OF CHANGE IN ACTIVITIES**

Resolution 2 seeks shareholder approval to:

- (a) a change in activities of the Company from a mineral resources exploration and production company to an oil and gas exploration and production company; and
- (b) authorising the Company to dispose of its mineral interests.

### **Listing Rule 11.1**

Listing Rule 11.1 requires that the Company inform members and the investing public of any proposed change in activities of the Company and the effect which this may have on the Company. Listing Rule 11.1 also requires shareholder approval of the proposed change in activities.

### **Listing Rule 11.2**

Listing Rule 11.2 requires that the Company to seek shareholder approval if it wishes to dispose of its main undertaking.

## **Suspension**

Trading in the securities of Valdera will be suspended in accordance with Chapter 11 of the Listing Rules, which applies when a company listed on ASX approves a significant change in its activities. The application of Chapter 11 arises because of the proposed change in the nature of the activities of the Company as a result of the transactions described in this Explanatory Memorandum.

If the shareholders approve the proposed change in the nature of the Company's activities, then before the securities of the Company can be reinstated to the official quotation, the Company must comply with the admission requirements of Chapters 1 and 2 of the Listing Rules, which prescribe the conditions for official quotation. The Company will be required to issue a prospectus and successfully complete the capital raising referred to in this Explanatory Memorandum. The Company will then request ASX to reinstate the Company's securities to quotation.

## **6. RESOLUTION 3 – MERGER WITH GOLDEN GATE**

As noted above, Resolution 3 seeks shareholder approval for:

- the Company entering into an agreements to merge with Golden Gate;
- the issue of 96,007,944 Shares (following the consolidation the subject of Resolution 1 taking effect); and

- the grant of 13,360,000 options with various exercise prices and expiry dates.

### **Recommendations of Directors**

The Company's Directors are of the opinion that the proposed transaction is in the best interests of Valdera and its shareholders and accordingly recommend shareholders vote in favour of Resolution 3.

The Directors' recommendation that you vote in favour of the Resolution is based on the following reasons:

- Last year the Company drilled its five leading base metals exploration projects. Although mineralisation was encountered in all programs, the grades were sub-economic other than a small nickel sulphide resource at Corkwood.
- The Padre Island gas exploration project represents an outstanding investment opportunity with a higher likelihood of success than a continuation of Valdera's existing exploration activities into its next tier of base metal targets.
- The Padre Island project has 33 gas prospects ready for drilling. The total risked economic value of these prospects is very substantial. Over time, this project is likely to generate substantial returns for shareholders.
- Being part of a larger merged company, with world-class exploration and production assets, is more likely to create a strong, liquid market for Valdera's listed securities.
- The directors have commissioned an independent technical report into the merit of the Padre Island project. This report is highly favourable as to the quality and potential value of the project.

No votes can be cast on resolution 3 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity as a security holder of Valdera.

### **Listing Rule 7.1**

Listing Rule 7.1 requires shareholder approval to the proposed issue of securities in the Company. Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholders approval is required for any issue of shares by a listed company, where the shares and options proposed to be issued represent more than 15% of the Company's shares then on issue. Given the Shares and options to be issued under Resolution 3 will exceed this 15% threshold, such approval is required.

The following information is provided to Shareholders for the purposes of Listing Rules 7.3 and 10.13:

- (a) the maximum number of securities the Company can issue under Resolution 3 is:
  - (i) 96,007,944 Shares;
  - (ii) 8,000,000 options to acquire Shares with an exercise price of 30 cents each and an expiry date being three years after their date of grant;

- (iii) 600,000 options to acquire Shares with an exercise price of 20 cents each and an expiry date of 31 May 2003;
  - (iv) 960,000 options to acquire Shares with an exercise price of 20 cents each and an expiry date of 31 May 2006;
  - (v) 800,000 options to acquire Shares with an exercise price of 44 cents each and an expiry date of 18 February 2007; and
  - (vi) 3,000,000 options to acquire Shares with an exercise price of 30 cents each and an expiry date being three years after their date of grant.
- (b) the Shares and options will be issued no later than three (3) months after the date of this General Meeting or such later date as approved by ASX;
  - (c) the deemed issue price of the Shares to be issued under Resolution 3 is 20 cents each. There is no deemed issue price for the options;
  - (d) the allottees are the Golden Gate Security Holders;
  - (e) the Shares are ordinary fully paid shares in the capital of the Company. The options will have the terms and conditions as set out in Schedule 1; and
  - (f) no funds will be raised from the issue, but the issue comprises the consideration for the merger with Golden Gate.

## **7. RESOLUTION 4 – PLACEMENT OF SECURITIES**

Resolution 4 seeks shareholder approval pursuant to Listing Rule 7.1 for the issue of up to 10,000,000 Shares at an issue price of 20 cents each, to be issued and allotted at the discretion of the Directors pursuant to a prospectus, following the consolidation the subject of Resolution 1 taking effect. The directors will also have the discretion to issue free attaching options on the same terms as Existing Options on a maximum ratio of one to one.

Proceeds from the capital raising will predominantly be used to fund the exploration and development programs for the exploration properties held by the merged entity.

For the purposes of shareholder approval of the issue of the Shares and requirements of Listing Rule 7.3, the following additional information is provided:

- (a) the maximum number of Shares the Company can issue under Resolution 4 is 10,000,000 Shares and the maximum number of options the Company can grant under Resolution 4 is 10,000,000 options;
- (b) the Company will issue the Shares and grant the options upon subscription pursuant to the proposed prospectus to be issued by the Company as soon as possible following the closing of the offer and in any event within three months after the date of the Meeting;
- (c) the Shares will each be allotted at an issue price of 20 cents per Share and the options will be issued for no consideration;
- (d) the Shares and options will be allotted and issued to applicants pursuant to the prospectus;

- (e) the Shares will be issued on the same terms as the Company's existing Shares. The Options will have the same terms as Existing Options as set out in Schedule 2 to this Explanatory Memorandum; and
- (f) the purpose of the issue is to provide funds for general working capital purposes and to pay some of the expenses involved in effecting the merger.

A pro forma capital structure is and a pro forma statement of financial position is set out in Section 3 of this Explanatory Memorandum.

#### **8. RESOLUTION 5 – ELECTION OF MR RUSSOTTI**

Resolution 5 deals with the appointment of Mr Russotti to the board of Valdera subject to the merger being effected.

Mr Russotti is a geologist with more than 30 years experience in the petroleum industry. He has been executive director of Golden Gate Resources Ltd since May 2001, after ten years as general manager and finance manager of Cultus Petroleum. Previously, he was planning manager for Peko Oil Ltd from 1987-90.

Mr Russotti will be appointed as an Executive Director.

#### **9. RESOLUTION 6 – ELECTION OF MR PETRUZZELLI**

Resolution 6 deals with the appointment of Mr Petruzzelli to the board of Valdera subject to the merger being effected.

Mr Petruzzelli is a principal of MDB & Co, an Australian accounting firm and has been a director of Golden Gate since May 2001. He is an expert in specialist accounting and management services and advises many ASX listed companies and large private organisations.

Mr Petruzzelli will be appointed as a Non-Executive Director.

#### **10. RESOLUTION 7 – CHANGE OF COMPANY NAME**

The Directors of the Company have determined to change the Company's name to "Golden Gate Petroleum Limited" and Resolution 7 seeks shareholder approval for that change in accordance with Section 157 of the Corporations Act. The name change will be subject to the merger with Golden Gate being effected.

Resolution 7 is a Special Resolution and requires the approval of 75% of the votes cast by members.

#### **11. RESOLUTION 8 – GRANT OF OPTIONS TO MR RUSSOTTI**

The Company also proposes to grant a total of 700,000 options of the 3,000,000 options referred to in paragraph (c) of Resolution 3 to Mr Russotti, a proposed director of the Company.

The grant of options is designed to encourage Mr Russotti to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to

that end by participating in the future growth and prosperity of the Company through share ownership.

Under the Company's current circumstances the directors consider that the incentives to Mr Russotti represented by the issue of these options are a cost effective and efficient reward and incentive for the Company, as opposed to alternative forms of incentive, such as the payment of additional cash compensation to Mr Russotti.

### **Related Party Transactions**

As noted above, Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

For the purposes of Chapter 2E, Mr Russotti is considered to be a related party of the Company as a proposed director.

Resolution 8 provides for the grant of options to a related party, which is a financial benefit which requires shareholder approval. For the purpose of Chapter 2E of the Corporations Act the following information is provided.

### **The related party to whom the proposed resolution would permit the financial benefit to be given:**

Subject to shareholder approval, it is proposed to grant 700,000 options to Mr Russotti or his nominee or nominees.

Each option to be granted will have an exercise price of 30 cents and an expiry date being three years after their date of grant.

### **The nature of the financial benefit**

The proposed financial benefit to be given is the grant of options for no consideration to Mr Russotti as noted above. The terms and conditions of the options to be granted to Mr Russotti are set out in Schedule 1 to this Explanatory Memorandum.

### **Directors' recommendation**

The Directors recommend that shareholders vote in favour of Resolution 8. Mr Russotti will be integral part of the Company and its ultimate success.

All the directors were available to make a recommendation.

**Other information that is reasonably required by members to make a decision and that is known to the Company or any of its Directors**

The passage of Resolution 8 would have the effect of giving power to the directors to grant 700,000 options on the terms and conditions as set out in Schedule 1 to this Explanatory Memorandum and as otherwise mentioned above.

If any options granted as proposed above are exercised the effect would be to dilute the share holding of existing shareholders. The market price of the Company's shares during the period of the options will normally determine whether or not option holders exercise the options. At the time any options are exercised and shares are issued pursuant to the exercise of the options, the Company's ordinary shares may be trading at a price that is higher than the exercise price of the options.

The Company has also entered or will enter into a service agreement with Mr Russotti pursuant to which he will be paid an annual salary of \$40,000 plus superannuation plus a motor vehicle allowance.

Mr Russotti currently does not hold any interests in Valdera securities. As a result of the merger, by virtue of his holdings in Golden Gate securities, Mr Russotti will receive 430,088 Shares, 480,000 options with an exercise price of 20 cents and an expiry date of 31 May 2006, and 480,000 options with an exercise price of 44 cents and an expiry date of 18 February 2007. Of the 430,088 Shares to be legally held by Mr. Russotti, 326,888 Shares will be held on trust for a third party.

The following table gives details of the highest, lowest and latest price of the Company's Shares trading on the Australian Stock Exchange Limited over the past 12 months.

Security	Highest Price	Date of highest price	Lowest price	Date of lowest price	Latest Price on 31 March 2003
Ordinary Shares	16 cents	10 May 2002	4.1 cents	21 October 2002	7 cents

**Valuation of Options**

The Company's advisers, Stanton Partners Corporate Pty Ltd, have valued the options by reference to the Black Scholes methodology, based on the following assumptions:

- Current Share Price: 7 cents.
- Volatility factor of between 50% and 100% (prices of fully paid shares over the past 9 months have been in the 4.7 cents to 14 cents range (pre-consolidation), but over the last 4 months have traded in the range of 5 cents to 7 cents (pre-consolidation), which is equivalent to 13 cents to 18.2 cents post consolidation).
- Exercise Price: 20 cents (post consolidation).
- Interest rate: 6.5%.
- Current issued capital consolidation on a 1 for 2.6 basis.
- No. of options granted: 700,000.
- The last expiry date of the options will be 3 years from their date of grant (ie expiry date of 31 May 2006).

Based on the above assumptions, the value of the options to be issued to Mr Russotti lie in the range of 6.7 cents to 11.51 cents each with a mid range of 9.2 cents each (75% volatility factor) on a post consolidation basis.

### **Listing Rule 10.11**

As noted above, Listing Rule 10.11 requires shareholder approval to the issue of the shares to a related party of the Company. As Mr Russotti is a related party of the Company as noted above, shareholder approval under Listing Rule 10.11 is sought. As Listing Rule 10.11 approval is being sought, approval under Listing Rule 7.1 is not required.

The following information is provided to shareholders for the purposes of Listing Rule 10.13:

- (a) the number of options to be granted under Resolutions 8 is 700,000;
- (b) the options will be issued within 10 business days of the merger with Golden Gate being effected. If the options cannot be granted within one month after the date of the meeting, application will be made to ASX to extend the period in which the options can be granted;
- (c) the options will be granted as incentive options hence will attract no consideration;
- (d) the allottee is Mr Russotti or his nominee or nominees;
- (e) the options will be issued on the terms and conditions as set out in Schedule 1 to this Explanatory Memorandum; and
- (f) no funds will be raised from the issue.

## **12. RESOLUTION 9 – EXTENSION OF EXPIRY DATE OF EXISTING OPTIONS**

The Company currently has 48,000,000 Existing Options on issue with an exercise price of 25 cents each and an expiry date of 1 June 2005. Following the consolidation the subject of Resolution 1 becoming effective, the number of Existing Options will be reconstructed by consolidating every 2.6 Existing Options into one new option and increasing the exercise price of the option by 2.6 times from 25 cents each to 65 cents each. Accordingly, there will be 18,461,538 Existing Options on issue with an expiry date of 1 June 2005.

The Company has obtained a waiver from the ASX to permit the current expiry date of the Existing Options of 1 June 2005 to become 31 December 2006, subject to the merger proceeding and shareholder approval.

### **Reasons for Extension**

The Existing Options were issued as part of a \$3,080,000 capital raising that achieved Valdera's original listing in May 2002. This raising was at a price of 23 cents for a package of one share and three options and 1 cent each for some additional options. Thus, Optionholders paid valuable consideration for their rights.

Upon Valdera listing, five base metals exploration projects were at ready to drill stage and the Company committed to drill these projects consecutively after listing. All five projects were drilled by December 2002 and although mineralisation was encountered in every program the grades were sub-economic. Follow-up work was completed at Corkwood, but otherwise no follow-up work on the original targets was considered prudent.

Valdera was left with \$1,900,000 in remaining cash and a residual second tier of base metals exploration targets. Without the merger, Valdera would continue to work up and drill high risk/high yield base metals targets and spend its remaining cash within the remaining 2 year option period.

Post the merger, the Company has 33 gas prospects ready for drilling. The Company's exploration activities will be spread out over a larger number of less risky prospects that will take more time to test. It will take longer than 2 years to drill the bulk of the targets.

Valdera negotiated into the merger agreement the right to extend the Existing Option period to 31 December 2006. It was considered an important part of the overall commercial arrangement that Existing Option holders be dealt with fairly by better matching the term of the Existing Options with the nature and timing of the new exploration assets being acquired.

The proposed extension is designed to reset the Existing Option exercise period against the new exploration assets to achieve equity for Existing Option holders.

Under the merger the Existing Options reduce from 98% of the issued shares to 16% of the issued shares, reducing their overall effect on the capital structure. Further, the options become exercisable at 65 cents each rather than 25 cents each. In the context of the overall merger, the proposed extension of the option term does not have a substantial impact on shareholders.

### **Waiver Granted**

The Company has obtained a waiver from the ASX to Listing Rule 6.23.3 to permit the current expiry date of the Existing Options of 1 June 2005 to become 31 December 2006, subject to the merger proceeding and shareholder approval being obtained.

### 13. GLOSSARY OF TERMS

In this Explanatory Memorandum the following expressions have the following meanings:

**"Agreement"** means the Arrangement Agreement made 19 March 2003 between Valdera and Golden Gate.

**"ASIC"** means the Australian Securities and Investments Commission.

**"ASX"** means Australian Stock Exchange Limited.

**"Business Day"** has the meaning ascribed to that term in the Listing Rules.

**"Corporations Act"** means the Corporations Act (2001).

**"Directors"** means the directors of Valdera from time to time.

**"Golden Gate"** means Golden Gate Resources Limited, a company incorporated pursuant to the laws of the Yukon Territories, Canada.

**"Golden Gate Security Holders"** the holders of securities in Golden Gate.

**"Listing Rules"** means the listing rules of ASX.

**"Meeting"** means the general meeting of shareholders of Valdera convened by this Notice.

**"Notice"** or **"Notice of Meeting"** means the notice of general meeting that accompanies this Explanatory Memorandum.

**"Existing Option"** means an option to subscribe for one Share exercisable at 25 cents on or before 1 June 2005, which expiry date will be extended to 31 December 2006 subject to the merger with Golden Gate proceeding and shareholder approval being obtained.

**"Resolution"** means a resolution referred to in the Notice of Meeting.

**"Share"** means a fully paid ordinary share in the capital of Valdera.

**"Valdera"** means Valdera Resources Limited ABN 34 090 074 785.

## SCHEDULE 1

### OPTION TERMS AND CONDITIONS

- (a) The Options will expire three (3) years after the date of issue (“**Expiry Date**”).
- (b) The exercise price of each Option is 30 cents (post consolidation) (“**Exercise Price**”).
- (c) Each Option exercised will entitle the holder to one Share in the capital of the Company.
- (d) The Options may be exercised at any time prior to the Expiry Date, in whole or in part, upon payment of the Exercise Price per option.
- (e) The Company will provide to each optionholder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Options may be exercised by the optionholder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the Expiry Date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an optionholder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the Exercise Price per Share.
- (f) All Shares issued upon exercise of the options will rank pari passu in all respects with the Company’s then existing Shares.
- (g) There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of securities offered to shareholders of the Company during the currency of the options. Subject to paragraph h), an optionholder is required to exercise the options in order to participate in any new issue of securities offered to shareholders by the Company for subscription on a pro rata basis. Optionholders will be provided written notice of the terms of the pro rata offer to shareholders and afforded that period of time as required by the Listing Rules of ASX before the record date to determine entitlements to the offer to exercise their options.
- (h) If from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to the holders of Shares in the Company (a “bonus issue”), then upon exercise of his or her options an option holder will be entitled to have issued to him or her (in addition to the shares which he or she is otherwise entitled to have issued to him or her upon such exercise) that number of securities which would have been issued to him or her under that bonus issue (“bonus securities”) if the options had been exercised before the record date for the bonus issue.
- (i) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, on or prior to the Expiry Date, the options will be reorganised in accordance with the Listing Rules of ASX.
- (j) Options are transferable, subject to the requirements of the Listing Rules of ASX concerning any options classified as restricted securities.

- (k) Shares allotted and issued pursuant to the exercise of an Option will be allotted and issued not more than 15 Business Days after the receipt of a properly executed notice of exercise of the Option and the application monies. The Company will apply for, and use its best endeavours to obtain, Official Quotation of shares issued pursuant to the exercise of the Options, in accordance with the Listing Rules.
- (l) Application will not be made for Official Quotation of the Options on ASX.

## SCHEDULE 2

### EXISTING OPTION TERMS AND CONDITIONS

- (a) A holding statement will be issued for the Options.
- (b) The Options shall expire at 5pm on 31 December 2006 ("**Expiry Date**").
- (c) The Option is a right in favour of the option holder to subscribe for one fully paid ordinary share in the capital of the Company ("**Share**").
- (d) The option holder may exercise Options any time prior to the Expiry Date.
- (e) Shares allotted to option holders on exercise of Options shall be issued at 65 cents each ("**Exercise Price**").
- (f) The Exercise Price shall be payable in full on exercise of the Options.
- (g) Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the option holder to:
  - (i) exercise all or a specified number of Options; and
  - (ii) pay the subscription monies in full for the exercise of each Option.

The notice must be accompanied by a holding statement and a cheque made payable to the Company for the subscription monies for the Shares. An exercise of only some Options shall not affect the rights of the option holder to the balance of the Options held by the option holder.

- (h) The Company shall allot the resultant Shares and deliver the holding statement within five business days of the exercise of the Option.
- (i) If the Company is admitted to the official list of ASX, the Company will apply for official quotation on the ASX of the Options, subject to the requirements for quotation being satisfied.
- (j) The Options shall be freely transferable.
- (k) Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing ordinary fully paid Shares of the Company in all respects.
- (l) If the Company is admitted to the official list of ASX, the Company shall in accordance with the Listing Rules make application to have Shares allotted pursuant to an exercise of options listed for official quotation.
- (m) In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, the number of the Options or the exercise price of the Options or both shall be reconstructed (as appropriate) in accordance with the Listing Rules of ASX.

- (n) The Options will not give any right to participate in dividends, bonus issues or entitlement issues until Shares are allotted pursuant to the exercise of the relevant Options. There is no right to change the exercise price of Options if the Company completes a bonus or entitlements issue.

March 31, 2003

The Directors  
Valdera Resources Ltd  
Ground Floor  
50 Colin St  
West Perth WA 6005.

Dear Sirs,

### **Independent Assessment of Golden Gate Resources' Padre Island Gas Project**

On March 21, 2003, Valdera Resources Ltd ("Valdera") signed a formal Merger Agreement with Golden Gate Resources Ltd ("Golden Gate") upon the terms set out in a Heads of Agreement announced on February 11, 2003. The proposed merger, if approved by shareholders, will result in Golden Gate becoming a wholly-owned subsidiary of Valdera.

Langusch & Associates Pty Ltd ("L&A") has been requested to prepare an independent assessment of Golden Gates' Padre Island Joint Venture ("PIJV") interest for inclusion with an Explanatory Memorandum being dispatched to Valdera shareholders during the merger process.

Golden Gate is a Canadian-listed oil and gas exploration company. Its principal asset is a 10% participating interest in the PIJV. This consortium is progressing a gas exploration and exploitation program on Padre Island, a large sand barrier island located along the Texas coastline on the Western Gulf of Mexico. The PIJV has secured drilling leases covering an area of over 27,000 hectares to date and commenced an active drilling program in 2002.

### **Summary and Conclusions**

L&A has made a detailed assessment of Golden Gates' PIJV interest. This process has included meetings, data reviews and correspondence with BNP Petroleum executives in Corpus Christi, Texas, plus meetings with key project advisers Dr Robert Rosenthal (London) and Dr Ed Duncan (Houston).

In our opinion, the PIJV project is a highly prospective gas exploration venture which, if successful, will provide substantial value accretion to Golden Gate.

This project has a number of key attributes which distinguish it from many other exploration strategies being pursued by various junior oil and gas companies around the world. These features include the following:

- Access to drill a number of new play types in the Western Gulf of Mexico that are analogous to areas of high activity and exploration success in the Eastern Gulf.
- Multiple play types including smaller, low risk, shallow prospects and larger, deeper prospects which have seen little drilling attention.
- Exposure to exploration of ultra-deep plays which are planned to be drilled under a farmin agreement struck with oil major BP.

- Proximity to exploration successes of other operators also drilling the deeper plays to the east and west of the JV area.
- The opportunity for rapid commercialisation of any discoveries utilising an existing common carrier infrastructure network on Padre Island.
- An extensive inventory of around 33 prospects and 18 leads (excluding the ultra-deep section) generated from modern 3D seismic surveys, and
- Initial drilling success in the first three wells, although the program intensity has been slower than optimal.

The PIJV project area presents particular land access, environmental and operational challenges. All of these issues should be manageable and the project operator has implemented procedures and protocols to ensure that exploration efficiency should not be impeded.

We estimate Golden Gates' interest to have an indicative Fair Market Value range of \$16.9-28.2 million (C\$15.2-25.4 million) based upon the discounted expected monetary value of the top eight ranked prospects of the PIJV.

Based upon a net risked total reserves volume of 222 bcf over all 33 prospects in the inventory, the company's PIJV interest offers material potential value upside. Using a nominal unit NPV of US\$1.50/mcf for in-ground gas reserves, the risked net prospect reserves have a potential worth of US\$333 million (A\$564 million) to Golden Gate.

### **Overview of Padre Island Joint Venture**

The PIJV comprises the operator, BNP Petroleum (30% working interest), a Corpus Christi-based private oil and gas company together with Novus Petroleum (40%), Mitsui Exploration (20%) and Golden Gate (10%).

The general project area is approximately 130 km long by 10 km wide and effectively encompasses all the land area of Padre Island, as well as the lagoonal waters inshore of the island (the Laguna Madre) and the Texas state waters immediately offshore from the island.

Through three phases of acquisition and licensing activity (Phases 1, 2 and 3), the JV has secured 142 drilling leases within this project area covering 27,300 hectares. The JV also holds an option over a fourth phase (Phase 4) comprising a further 12,100 hectares immediately south of Phases 1-3.

The PIJV has acquired and is currently interpreting approximately 124,300 hectares of 3D seismic data from across the island and its surrounding waters. In addition the JV is in the process of accessing 44,000 hectares more 3D data from the Kenedy Memorial Fund leases on the western edge of the Laguna Madre.

### **Geological Summary**

The onshore South Texas area has been a major gas and oil producing region for many years with most production being sourced from Oligocene and Eocene age fields. The Frio (Mid to Late Oligocene) and Vicksburg (Early Oligocene) units form the principal reservoirs. Within the Padre Island area, approximately 1.7 tcf of gas has already been produced from over 20 commercial gas fields. Almost 98% of production has come from the Marg Frio, Cib Haz and Marg Tex sub-units of the Upper Frio.

However the vast majority of production in South Texas to date has been from relatively shallow depths (less than about 12,000 ft) largely due to the abundance of shallow prospects and various technical interpretation problems of deeper prospects prior to the introduction of 3D seismic imaging.

Technical advisers to the PIJV recognised that along the western margins of the Gulf of Mexico, there was substantial exploration potential in the Oligocene and Eocene in conventional deltaic shelfal

sands, deeper submarine slope sediments and deepsea basin units offshore from the ancient coastline. These three geological settings in the Oligocene and Eocene were directly analogous to the younger Miocene plays that are being successfully explored in the Eastern Gulf of Mexico both in shallow and deepwater exploration programs.

The general Padre Island area offered excellent access to all three stratigraphic settings and effectively set up three broad exploration plays:

- shallow conventional targets at depths down to about 12,000 ft with typical field reserves of 5-25 bcf recoverable gas
- deeper targets at depths from about 12,000 to 18,000 ft which could host reserves of 100-500 bcf, and
- ultra-deep targets below about 18,000 ft where larger reserves of 1-3 tcf are possible within salt-controlled structures.

The PIJV is actively pursuing the first two plays. Notwithstanding past exploration and production in the area the shallow play remains a valid exploration target. The PIJV's current drilling inventory consists of 33 drillable prospects containing unrisks reserves potential of between 1,800 and 9,000 bcf.

The deeper play (12,000-18,000 ft) provides the potential high value upside for the JV given that relatively few wells in the area have been drilled to such depths and the possible field sizes are an order of magnitude larger than the shallower fields. Across the Padre Island project area covered by the Phase 1-3 dataset, only 19 wells have been drilled deeper than 12,000 ft, including the PIJV's Dunn Murdock-1 well in 2002.

Realistically the ultra-deep play is beyond the capacity of the existing PIJV. The high cost, high risk nature of the required exploration wells would stretch the financial capacity and risk appetite of the participants although the rewards are commensurately huge. Such exploration is more appropriate for much larger companies. Accordingly the recent farm-in agreement negotiated with BP over the ultra-deep rights provides the PIJV partners with free-carry exposure to this high impact exploration activity.

### **Ultra-deep Farm-in Agreement**

In late March the PIJV announced that a farm-in agreement had been reached with BP North America whereby BP will be able to explore selected ultra-deep prospects within the Phase 1 and 2 lease areas. In return the PIJV participants will be free-carried through all costs up to the production stage and retain one quarter of their respective existing interest. In Golden Gates' case, its working interest in the ultra-deep section would be diluted to 2.5%.

The key aspects of the transaction are as follows:

- BP will pay a US\$2 million non-refundable option fee to secure the farm-in.
- BP will undertake a full technical study estimated to take around nine months and cost some US\$10 million. The PIJV will have access to all data and analysis generated by this activity phase.
- At the conclusion of the study, BP can nominate to drill wells on selected ultra-deep prospects and make necessary lease payments covering these prospects.
- The PIJV will be free-carried through all costs to production and retain one quarter of its current interest in any discovery following payout of third party costs incurred by BP.
- The farm-in deal applies only to drilling the ultra-deep prospects (below 16,000-18,000 ft) and the PIJV will retain full rights to explore the shallower horizons.

The BP ultra-deep farmin agreement is considered to be an important deal for the PIJV by providing exposure to the major exploration upside in the ultra-deep section without risking the JV's own capital.

BP's credentials are impressive. It is the largest producer of oil and gas in North America and arguably the most successful explorer in the deepwater Gulf of Mexico. The company's US\$1 billion materiality threshold for its new ventures means that the PIJV is "riding for free on the coat tails" of an oil major.

### **PIJV Drilling to Date**

Three wells were drilled during 2002 resulting in gas discoveries in each as follows:

- La Playa-1 (shallow prospect) found gas in Upper Frio sands. The well has since been put on stream producing around 2.5-3 mmcf/d.
- Dunn Murdock-1 (shallow & deep prospect) found a small gas accumulation in the shallow Tomato prospect. However due to the well configuration and drilling problems, the primary deeper objectives, the Middle and Lower Frio sands, were not fully appraised. The well was terminated in the upper section of these stacked sands after recording good gas shows, but the deeper sands were not penetrated. The deep prospect remains a candidate for re-drilling during 2003.
- West Bird-1 (shallow prospect) was drilled in the Laguna Madre and found reserves of several bcf. It has been connected ready for commercial production and is expected to produce at rates around 2-3 mmcf/d when an upgrade to third party receiving facilities is completed and gas sales commence in early April 2003.

In short the exploration track record to date can be summarised as follows:

- The two primary exploration plays remain valid objectives, given that all three wells drilled so far successfully found gas in the shallow prospects and the deep play was only partially investigated in Dunn Murdock-1.
- A combination of factors has hampered the advancement of drilling and resulted in fewer wells than planned actually being drilled. Management changes in one of the partners and some differences of strategy between the various joint venturers has held back progress, however it now seems that the JV is united in a common desire to speed up drilling activity.
- Three exploration wells are committed during the first half of 2003 with a further 3-5 wells likely to be approved for the year. Given the large number of drillable prospects mapped already, an activity level of 6-8 wells per annum would seem the minimum appropriate.
- A dual stream exploration strategy targeting both the smaller, lower cost, low risk, shallow prospects in parallel with a program chasing the larger, higher risk, deeper prospects could be feasible, although yet to be adopted by the JV.
- Perceptions in financial markets that the initial drilling results by the PIJV have been disappointing are in our opinion misplaced. Various issues have resulted in slower than expected levels of activity and the differentiation between the shallow and deep plays has not been well defined in public releases. Accordingly the whole exploration play in the Padre Island area remains a valid one, vindicated in part by other recent discoveries noted below.

Immediately west and east of the Padre Island project area, gas discoveries have been recently made on similar deeper plays to those being pursued by the PIJV. ExxonMobil has at least three discoveries within its onshore King Ranch leases (Sarita East, El Paistle Deep and Baffin Bay Gas Unit 3). Offshore Spinnaker's Stirrup discovery lies only a short distance from PIJV leases. Stirrup is believed to host reserves around 150-200 bcf reservoired in the deeper Mid Frio play.

A major fillip for exploration in the Western Gulf of Mexico has been provided by the advancement of 3D seismic techniques which has permitted better imaging of the deeper horizons than was previously possible. The PIJV has licensed access to an extensive 3D seismic survey conducted by WesternGeco across the whole project area. Within the Phase 1-3 areas, some 480 sq miles of data (124,300 hectares) is available.

## **US Gas Market Outlook**

Although there are many small oil fields in the South Texas region, it is primarily a dry gas province. Gas is the main exploration target for the PIJV and the encouraging outlook for the US domestic gas industry underpins activity rationale.

Total US gas consumption in 2002 was estimated by the US Energy Information Administration at around 22.0 tcf of which almost one quarter was sourced from the Gulf of Mexico. EIA projections indicate that US demand is likely to rise to over 30 tcf per annum by 2015, equivalent to annual consumption growth of 1.5 bcf/d.

An increasing supply-demand gap has forced the USA to import greater quantities of gas from Canada and as LNG from the Caribbean, Nigeria and the Pacific Region. Exploitation of more expensive gas reserves in the Canadian Arctic and Alaska are under consideration to part-fill this deficit.

This has two important implications for existing and potential gas projects in the domestic USA – there is an urgent need to promote more domestic gas production and gas prices are likely to remain high.

Over the near term years (2003 and 2004) various commentators including the EIA and several analysts (UBS Warburg, Lehman Brothers) forecast gas prices will average in the US\$4.00-5.00/MMBtu range. Current winter prices are close to US\$6/MMBtu (Henry Hub reference).

Therefore the underlying fundamentals for gas exploration in the USA are strong. This positive outlook has encouraged a number of Australian companies including Woodside, Santos and Novus to chase US gas exploration strategies.

## **Commercialisation of Gas Discoveries**

Gulf of Mexico fields currently contribute gas production of around 14 bcf/d into the US market.

Padre Island contains a network of common carrier pipeline infrastructure with spare system capacity estimated at around 150 mmcf/d. Two major pipelines owned by HPL and Duke Energy traverse the island and are connected into the Texas state grid.

Spare capacity and the pipeline proximity allow new gas discoveries to be connected and brought on stream rapidly. Both the La Playa and West Bird discoveries were commercialised within 1-2 months only from discovery. This situation compares very favourably with other areas in the world where such project acceleration is not possible. As an example, one Queensland operator has recently taken more than six months to secure a pipeline licence for a short 6 km spurline before construction and well hookup could commence.

## **Key Project Risks**

### **Licensing Issues**

There are several underlying reasons why a relatively small exploration group such as the PIJV was able to gain access to such an extensive, highly prospective project area. For many years the whole area was locked up in leases held by Sun Oil (about 1949-1989) then followed 5-6 years of legal disputes over jurisdictional issues.

The Padre Island project area was complicated by two perceived problems as follows:

- Access in order to acquire seismic data was considered difficult because of the mixed topography ranging from open sea, across the island and into the shallow inshore lagoon. However the large 3D acquisition shoot conducted by WesternGeco proved that such technical problems could be overcome.
- The area was also considered a difficult operating location due to the multi-jurisdictional situation between the various lease areas. Most of the island area forms the Padre Island National Seashore ("PINS"). It is administered by the National Parks Department, under the control of the Federal Department of the Interior. The lagoonal waters are controlled by the US Army Corps of Engineers, again a Federal body responsible for wetlands and waterways. Finally most other leases fall under Texas state jurisdiction and are managed by the General Land Office and the Texas State Railroad Commission.

While at first glance the latter issue would appear to present a severe management challenge, operator BNP Petroleum has shown that with careful planning and execution the formal approvals process can be negotiated. For the Federal leases under the control of either National Parks or the Corps of Engineers, drilling approvals have taken up to six months. However it is believed that this period may decrease with future applications as bureaucrats climb the learning curve and become more familiar with the JV's intentions.

In October 2000, an Oil and Gas Management Plan for PINS was implemented. It permits drilling in 98.6% of the park's 52,800 hectares and prior to BNP's activity, 70 permits have been issued to operators for wells, surveys and pipelines under the plan.

By contrast, approvals under Texas state controlled areas usually take only 1-2 days. Such is the sophistication, efficiency and familiarity of the relevant authorities that the process becomes extremely simple.

BNP believes that the approvals process can be managed such that a reasonable level of exploration activity can be maintained.

### **Environmental Issues**

Drilling activity along Padre Island has been opposed by environmental groups including the vocal Sierra Club. Because the area forms part of PINS, green groups have sought to prevent drilling in areas of high bird populations and habitats of the endangered Kemp's ridley turtle.

Such opposition is similar to that encountered by operators elsewhere in the world and considered by BNP to be manageable. All guidelines and requirements of the park authorities are being strictly followed and relations with the various regulatory bodies are good.

To put in context, this environmental opposition displays similar inconsistencies as seen by other explorers and therefore is regarded as a hindrance rather than a major operational obstacle.

For example, the rare turtle was originally an introduced species and when drilling crews use the beaches for site access, strict rules are followed including a 15 mph speed limit and turtle lookout vehicles. But this does not prevent hordes of local fishermen speeding along the beach unchecked.

### **Exploration Risks**

The exploration risks faced by the PIJV are consistent with similar activity worldwide. Moreover given the excellent seismic data and wealth of other geological knowledge available, risk factors are relatively low by world standards.

For the majority of the shallow Upper Frio prospects, the Probability of Success (“POS”) is rated at 60-80%, whereas for the deeper plays Mid and Lower Frio plays, POS estimates fall in the 20-50% range. In exploration terms the latter probabilities are considered acceptable given the high rewards involved for the large potential reserves volumes.

Virtually the whole of the stratigraphic section of interest is gas-charged in the Western Gulf of Mexico. Hence any valid reservoir trap is likely to be gas-bearing. In this situation where many prospects consist of multiple stacked sand sequences juxtaposed against major regional fault systems, fault seal integrity is a significant exploration risk.

The good quality of the interpreted 3D seismic has allowed improved sub-surface imaging which should help ameliorate this risk. The main sealing unit immediately above the Upper Frio, the Anahuac Shale, is a thick regional bed which in many prospect settings forms an excellent seal.

### **Producability Risks**

Reservoir quality is also a significant risk factor that could potentially prevent wells flowing at commercial rates. Unlike the younger, unconsolidated Miocene reservoirs in the Eastern Gulf of Mexico, the Oligocene and Eocene sands in the Western Gulf are typically consolidated. Consequently with increasing depth and the possibility of diagenesis, diminishing reservoir quality becomes an increasing risk factor.

The sands are however very suitable for fracture stimulation in order to achieve commercial production rates. Experience in onshore wells in South Texas has proved that the absolute openflow potential of some wells can be increased from 10-20 mmcf/d initially to 60-80 mmcf/d following successful fracking. Such wells are then capable of producing under development conditions at rates around 20-30 mmcf/d.

The impact of poorer reservoir quality sands is also partially-mitigated by the presence of only very dry gas. The absence of liquids within the reservoir often allows reasonable gas producability in such conditions.

### **Potential Upside**

In a competitive region such as the US Gulf Coast it is rare to see a consortium such as the PIJV able to secure a contiguous lease package that covers such a large number of drillable prospects.

Intensive 3D seismic interpretation to date has yielded an inventory of 33 prospects and a further 18 leads. Not included in this list are the large-scale ultra-deep structures which form the basis of BP’s farmin agreement.

The 33 prospects are estimated to host unrisked mean reserves totalling 6,481 bcf (Golden Gates' share 648 bcf). Incorporating BNP's estimated risk factors, total risked reserves of the current prospect inventory is calculated at 2,222 bcf.

By applying a nominal unit in-ground NPV of US\$1.50/mcf to this latter volume, Golden Gates' net 222 bcf share of risked reserves is potentially worth around US\$333 million (\$564 million at current FX rates).

This figure provides a graphic indication of the large potential upside for Golden Gate from drilling successes in the PIJV, without any contribution from value generated in the ultra-deep prospects.

### **Indicative Valuation**

An Expected Monetary Value ("EMV") analysis has been conducted to estimate an indicative valuation range for Golden Gates' 10% PIJV interest. EMV techniques are considered valid in this application given that the area has existing production and the exploration risks, reservoir performance, production and operating costs are well understood.

To arrive at a Fair Market Value it is customary to apply a discount factor to the calculated total EMV to simulate a competitive bidding situation for the asset. We have chosen to value the Golden Gate interests by applying a discounted range of 30-50% of the total EMV. Such factors are consistent with the literature and other recognised expert valuations.

Although firm commitments are yet to be made to the full 2003 drilling program, BNP is aiming to drill around 6-8 prospects, including up to five shallow and three deep targets. This group of prospects has been chosen to provide an indicative valuation of Golden Gates' JV interest at this juncture, since the results of the 2003 drilling program should effectively establish the value of this prospective area or otherwise.

The total net EMV for the top eight BNP-ranked prospects (Jack Frost, Peach, Lemon, Homerun, El Mar, Dancer, Lemon Seed and Dunn Deep) amounts to US\$33.3 million (C\$50.8 million or A\$56.4 million).

An indicative Fair Market Value of the Golden Gate interest is therefore estimated to be in the range of C\$15.2-25.4 million (A\$16.9-28.2 million).

### **Statements**

#### **Limitations**

This report is based upon information provided by BNP Petroleum, Robert Rosenthal, Ed Duncan and other publicly-available data covering the PIJV project areas. The information is believed to be reasonable and complete. L&A has no reason to believe that any material facts have been withheld, but does not warrant that its enquiries have revealed all matters which a more extensive examination might disclose. Furthermore, although the publicly-available data has not been subjected to a detailed audit, it is considered reasonable for valuation purposes. The opinions and statements in this report, based upon the above information, are made in good faith and in the belief that such opinions and statements are not misleading. It should be noted that by its nature petroleum exploration and development is a risky and speculative venture. The actual outcomes of work programs including exploration drilling cannot be predicted with any certainty or reliability.

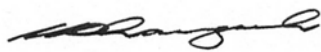
## **Disclosure**

L&A has no interests in any of the petroleum licences referenced in this report nor does it hold any beneficial interest in Valdera Resources or Golden Gate Resources. The remuneration for this report is not contingent on any value placed upon the interests and is not dependent upon the outcome of the proposed merger of Golden Gate and Valdera.

## **Qualifications**

This report was prepared by Russell Langusch who is the Principal of Langusch & Associates, an independent energy consulting business established in 2001. Russell is a Petroleum Engineer who holds the degrees of Bachelor of Engineering (First Class Honours - Electrical) and Master of Engineering Science from the University of Queensland. He has over 28 years combined experience in the upstream petroleum and finance industries. He is a Member of the Society of Petroleum Engineers, the Petroleum Exploration Society of Australia and the Australasian Institute of Mining and Metallurgy.

Yours faithfully,



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ANNEXURE B  
PADRE ISLAND PROJECT AREA

