

11 August 2003

Manager Announcements  
Companies Announcements Office  
Australian Stock Exchange Limited  
10<sup>th</sup> Floor, 20 Bond Street  
SYDNEY NSW 2000



*via electronic lodgement*

Dear Sir/Madam,

**PLACEMENT PROSPECTUS**

Attached is a copy of the placement prospectus to issue 2,500,000 shares, each with a free attaching option, to raise a further \$500,000.

If you have any queries please contact our Company Secretary, Mr Mark Freeman, on 08 9324 1177.

*On behalf of the Board of  
Golden Gate Petroleum Ltd*

A handwritten signature in black ink, appearing to read 'Mark Freeman', written over a horizontal line.

Mark Freeman  
Company Secretary

# **GOLDEN GATE PETROLEUM LIMITED**

**ABN 34 090 074 785**

## **PROSPECTUS**

**FOR THE ISSUE OF UP TO 2,500,000 FULLY PAID ORDINARY SHARES AT 20 CENTS EACH TOGETHER WITH ONE ATTACHING NEW OPTION GRANTED FREE FOR EVERY SHARE ISSUED TO RAISE UP TO \$500,000.**

**The Shares offered by this Prospectus should be considered speculative.**

**This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your professional adviser.**

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

**CORPORATE DIRECTORY**

**Directors**

Salvatore (Sam) Russotti (Executive Director)  
Craig Ian Burton (Non-Executive Director)  
Francesco (Frank) Petruzzelli (Non-Executive Director)

**Company Secretary**

Mark Freeman

**Registered Office and Head Office**

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West Perth WA 6005

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**Independent Energy Consultant**

Langusch & Associates Pty Ltd  
16 Cooper Street  
Balmain NSW 2041

**Share Registry**

Computershare Investor Services Pty Limited  
Level 2  
45 St Georges Terrace  
Perth WA 6000

Telephone: 1300 557 010

Facsimile: 08 9323 2033

**Solicitors to the Company**

Blakiston & Crabb  
Solicitors  
1202 Hay Street  
West Perth WA 6005

## INVESTMENT HIGHLIGHTS

- The principal asset of Golden Gate is a 10% participating interest in the Padre Island Project ("**PI Project**"). Padre Island is a large sand barrier, located along the western coastline of Texas on the Gulf of Mexico. The Gulf of Mexico is a proven hydrocarbon area that produces 24% of the total gas consumed in the United States.
- The main participants in the PI Project consist of BNP Petroleum Corporation, a private Texas corporation, Novus Petroleum Limited, an ASX listed company, Mitsui Corporation and Golden Gate. BP America Production Company has an option to farm into the ultra-deep drilling programme.
- Since inception the PI Project has secured 143 drilling leases covering approximately 28,000 hectares of exploration acreage (with the option to add another 12,100 hectares), has acquired and processed a detailed 3D seismic survey over that acreage and drilled three exploration wells. Two of these wells are successful gas producers and their product is tied into the South Texas gas grid, although La Playa No 1 is currently awaiting re-completion in a new zone of production having ceased production from its original zone of production. The third well Dunn Murdock#1 depleted its original zone of production, however, the deep prospect was not tested by the well and remains a candidate for future drilling.
- The PI Project has multiple play types including smaller, low risk, shallow prospects and larger, deeper prospects which have seen little drilling attention.
- As a result of a recent restructure of the PI Project there are now separate operators in each depth zone. This takes advantage of each participant's expertise and capabilities and should allow the prospects in the PI Project to be more quickly and efficiently drilled and evaluated.
- Of all of the PI Project participants, Golden Gate will be the only one that has an exposure to all plays in the shallow, deep and ultra deep prospects.
- Advancement of 3D seismic has allowed the imaging of deeper larger targets analogous to areas of high activity and exploration success in the Eastern Gulf of Mexico.
- Extensive 3D seismic and interpretation work undertaken by the participants in the PI Project to date has identified 33 prospects (excluding the ultra-deep section) that are now ready for drilling.
- Drilling has commenced on the Jack Frost prospect, that well being spudded on 5 August 2003 and expected to be completed by the end of August. A further two prospects are targeted for drilling by the end of 2003.
- At least 18 further leads are in the process of being analysed to seek development of further drillable prospects.
- An Independent Technical Report (see Section 3) has determined that based on US\$1.50 per mcf for in ground gas reserves and independent analysis, Golden Gate's

total risked reserves for the 33 mature drilling prospects is worth A\$4.10 per Share (assuming the Offer is fully subscribed).

- In the view of the Directors, supported by the Independent Technical Report, the PI Project is a highly prospective gas exploration venture and, if successful, will provide substantial value accreditation to the Company and its shareholders.
- The PI Project's neighbours around Padre Island include experienced industry players Woodside, El Paso, Santos and Spinnaker Oil.
- The United States is the biggest gas market in the world, larger than the next eight biggest gas-consuming nations combined.
- The United States consumed 22 trillion cubic feet per annum and this is expected to increase to 30 tcf by 2015. By way of comparison in 2002 Western Australia's North West Shelf Venture produced approximately 0.8 tcf.
- Gas producers in the US enjoy high prices (currently around US\$4 to US\$5.50 per mcf compared to approximately US\$1.30 to US\$2 per mcf in Australia), modest corporate tax rates, wide-ranging exploration allowances and comparatively low drilling and other onshore services costs.
- Gas produced in the region is connected into the gas grid of Southern Texas through a working gas-gathering pipeline system on Padre Island. The pipeline system, which has significant unused capacity, is a common carrier available to all gas producers and allows for any new discoveries to be commercialised with minimal delay.

The general Padre Island area offers excellent access to all three stratigraphic settings and effectively sets up three broad exploration plays as described below and shown in Table 1:

- shallow conventional targets at depths down to about 12,000 ft with typical mean field reserves of 5-25 bcf recoverable gas;
- deeper targets at depths from about 12,000 to 18,000 ft which could host mean reserves of 100-600 bcf; and
- ultra-deep targets below about 18,000 ft where larger reserves of 1-3 tcf are possible within salt-controlled structures.

**Table 1 –The Padre Island Project Prospects**

<b>Depth</b>	<b>Number of Prospects</b>	<b>Estimated Mean Reserves Potential per prospect</b>	<b>Main Operator*</b>	<b>Risk Assessment</b>
<b>SHALLOWS</b> Less than 12,000 feet approx.	16	5-25 bcf	BNP Petroleum Corporation, a local shallow gas producer	Low
<b>DEEPS</b> 12,000-18,000 feet approx.	17	100-600 bcf	Novus Oil & Gas LP, a subsidiary of an experienced Australian international gas producer planning to drill 6 deep prospects by the end of 2004	Medium to High
<b>ULTRA-DEEPS</b> Greater than 18,000 feet approx.	To be determined by farm-in partner	1-3 tcf	BP America Production Company on a farm-in basis at their expense	High

Note:

\* Under the various agreements governing the PI Project, the project area has been broadly separated into different depth sections and generally the operator of operations within those sections are the parties named however, there are a number of carve outs and exceptions to the various agreements and the precise depths of particular operation may vary from the depths specified in this table. For further detail on the terms of the these arrangements and the various agreements refer to Section 8.

Key:

bcf = billion cubic feet

tcf = trillion cubic feet

## CAPITAL STRUCTURE

If the Offer under this Prospectus is fully subscribed the capital structure of the Company will be as follows:

<b>Shares</b>		<b>\$</b>
122,254,901	Current Issued Shares	25,136,998
2,500,000	Shares to be issued pursuant to Offer	500,000
<u>124,754,901</u>		<u>25,636,998</u>
	Less costs of the Issue of \$40,000	<u>25,596,998</u>
<b>Options</b>		
25,961,369	Existing Options exercisable at 65 cents on or before 31 December 2006	480,000
11,000,000	Merger Options exercisable at 30 cents on or before a date being 3 years after their date of issue	-
960,000	Merger Options exercisable at 20 cents on or before 31 May 2006	-
800,000	Merger Options exercisable at 44 cents on or before 18 February 2007	-
2,500,000	New Options to be issued pursuant to the Offer exercisable at 65 cents on or before 31 December 2006	-
<u>38,721,538</u>		<u>480,000</u>

Note The rights attaching to the Shares, Existing Options, Merger Options and New Options are described in Section 9.

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### **Important Notes**

This Prospectus is dated 11 August 2003 and a copy of this Prospectus was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date. The ASIC takes no responsibility for the contents of this Prospectus. No securities will be allotted or issued on the basis of this Prospectus later than the expiry date of this Prospectus being the date which is 13 months after the date of this Prospectus. Shares and New Options allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out in this Prospectus.

Before deciding to invest in the Company, potential investors should read the entire Prospectus and, in particular, in considering the prospects for the Company, investors should consider the risk factors that could affect the operating and financial performance of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues). The Shares and New Options offered by this Prospectus should be considered speculative. Refer to Section 7 for details relating to risk factors. Investors should seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares, New Options or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

This Prospectus will be issued as an Electronic Prospectus and may be accessed on the Internet at [www.ggpl.com.au](http://www.ggpl.com.au). The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. The Corporations Act prohibits any person from passing to another person the Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus. During the Offer period, any person may obtain a hard copy of the Prospectus by contacting the Company.

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of 7 days from the date of lodgment with the ASIC. This period may be extended by the ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds, which examination may result in the identification of deficiencies in this Prospectus. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Applications received in the exposure period and all Applications received during the Exposure Period will be treated as if they were simultaneously received on the date on which Applications open.

Revenues and expenditures disclosed in this Prospectus are exclusive of GST, unless otherwise disclosed.

## Section 1 MESSAGE FROM THE DIRECTORS

Dear Investor

It is with pleasure that I present this Prospectus for Golden Gate Petroleum Limited for the issue of up to 2,500,000 shares at 20 cents together with a free option for each share subscribed to raise up to \$500,000.

Golden Gate Petroleum Limited was formed in June 2003 after the merger of Australian company Valdera Resources Limited with Canadian company, Golden Gate Resources Limited ("**GGR**"). As a result of the merger, GGR has become a wholly owned subsidiary of the Company and the Company has become a participant in the burgeoning North American gas industry, via GGR's interest in the Padre Island Project ("**PI Project**").

The PI Project was recently restructured so that it now comprises a number of separate joint ventures in different depth zones, referred to as the shallows, deeps and ultra-deeps. Golden Gate has a 10% interest in the project and is the only party that participates in all joint ventures. The restructure has meant that there are now separate operators in each depth zone and this more effectively takes advantage of each participant's expertise and capabilities. This should allow the prospects in the PI Project to be more quickly and efficiently drilled and evaluated. BP America Production Company has an option to farm into the ultra-deeps. If the option is exercised, Golden Gate retains a 2.25% effective free carry reversionary interest in all future wells drilled by BP in the ultra-deeps up until BP has recovered its costs in bringing the wells into production.

The PI Project has a large, world-class portfolio of acreage prospective for gas along the western region of the Gulf of Mexico coastline. To date, 3 wells have been drilled with 2 successfully commercialised in a short time frame. A further 33 prospects are ready for drilling with 18 more targets identified for further work. A review of the PI Project is set out in the Independent Technical Report in Section 3 of this Prospectus and I recommend that you take the time to read it.

The Directors are recommending this Issue for the following reasons:

- The PI Project has 33 gas prospects (excluding the ultra-deep section) ready for drilling, with operator partners already commencing drilling on one and targeting a further two new wells in 2003 with at least another five by the end of 2004. Golden Gate is the only joint venture participant that has an exposure to all prospect plays in the shallows, deeps and ultra-deeps.
- An Independent Technical Report (see Section 3) has determined that based on US\$1.50 per mcf for in ground gas reserves and independent analysis, Golden Gate's total risked reserves for the 33 mature drilling prospects is worth A\$4.10 per Share (assuming the Offer is fully subscribed).
- Golden Gate is increasing its interest in the current well (Jack Frost) from 10% to 20% and expects to participate in the further two wells in the remainder of 2003 and, subject to securing any further funding that may be required, the further wells proposed for 2004.
- The Gulf of Mexico produces 24% of the gas consumed by the United States market, a market eight times larger than the next eight biggest gas-consuming countries combined. Gas consumption in the US is growing rapidly, with a well-publicised

shortage in supply the US is currently experiencing, prices are high commensurate with demand.

- Padre Island has a gas pipeline (that has spare carrying capacity), which connects directly into the Texas grid that allows for rapid commercialisation of any new discoveries as has been evidenced already with LaPlaya and West Bird.

In the view of the Directors, supported by the Independent Technical Report, the PI Project is a highly prospective gas exploration venture and, if successful, will provide substantial value accreditation to the Company and its shareholders.

I look forward to your participation in the opportunities outlined in this Prospectus.

Yours sincerely

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

Craig Burton  
Director

## **Section 2 PROJECT OVERVIEW**

The information set out in this Section is intended to be read in conjunction with the full text of this Prospectus.

### **2.1 Recent Merger and Capital Raising**

In June 2003, Valdera Resources Limited ("**Valdera**") merged with Golden Gate Resources Limited ("**GGR**"), a Canadian company previously listed on the TSX Venture Exchange.

As a result of the merger, Valdera was renamed as Golden Gate Petroleum Limited and became a company focussed on petroleum exploration and production company with a portfolio of Gulf of Mexico exploration acreage containing world-class prospects.

The Company recently raised \$1,500,000 by a prospectus lodged with ASIC in July 2003 and is now seeking to raise up to a further \$500,000.

### **2.2 Golden Gate's Petroleum Interests**

#### **Padre Island Project ("PI Project")**

The principal asset of Golden Gate is a 10% participating interest in the PI Project held via its wholly owned subsidiary, Long Flat Limited. The other main participants in the PI Project are, BNP Petroleum Corporation, a private Texas corporation and its subsidiary BNP Oil & Gas Limited, Novtex Oil & Gas Limited, a subsidiary of ASX listed Novus Petroleum and MOEX Texas Oil & Gas LP, a subsidiary of the giant Mitsui Corporation.

Padre Island, located in Texas on the Gulf of Mexico coastline, is a proven hydrocarbon producing area. The PI Project has acquired 143 drilling leases to date, covering an estimated area of 28,000 hectares along Padre Island, through 3 phases of acquisition activity, with an option to acquire a further 12,000 hectares. These drilling leases are located within a project area that is 130 kilometres long by 10 km wide. The PI Project 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. The terms of the agreements governing Golden Gate's involvement in this project are set out in Section 8.

The PI Project's neighbours around Padre Island include experienced industry players Woodside, El Paso, Santos and Spinnaker Oil.

The PI Project comprises multiple play types including smaller, low risk, shallow prospects and larger, deeper prospects which have seen little drilling attention. The agreements governing the PI Project were recently restructured so that the project now comprises a number of separate joint ventures in the different depth zones. The various joint ventures comprising the PI Project and the participant's respective interests in those joint ventures are set out in the table below:

<b>Padre Island Joint Venture Participating Interest</b>					
<b>Prospect/Section Joint Venture</b>	<b>Participant</b>				
	<b>Golden Gate<sup>(1)</sup></b>	<b>Novus<sup>(2)</sup></b>	<b>Mitsui<sup>(3)</sup></b>	<b>BNP<sup>(4)</sup></b>	<b>BP</b>
La Playa field <sup>(5)</sup>	10%	30%	15%	23.75%	-
West Bird field <sup>(6)</sup>	10%	40%	20%	28.83%	-
Shallow leases over 6 specific areas (Jack Frost, Hook, Fault/County Line, El Mar, Peach/Manzano, Shallow and Lemon)	10% <sup>(7)</sup>	-	-	90%	-
Lemon Seed Prospect (deep)	10%	40%	20%	30%	-
Ultra Deep Section	10%	40%	20%	30%	-
Ultra deep discovery developed by BP in Phases 1 & 2 <sup>(8)</sup>	2.25%	Variable	Variable	7.75%	76-80%
All other leases (including identified deep prospects excluding Lemon Seed; the balance of the shallow leases excluding those noted above; the Tomato gas fields and the ultra-deep section outside the BP farmin AMI which coincides with seismic phases 1 & 2).	10%	70%	20%	-	-

Note:

- (1) Golden Gate's interest is held via its wholly owned subsidiary, Long Flat Limited.
- (2) Novus's interest is held via Novus Oil & Gas LP.
- (3) Mitsui's interest is held via MOEX Texas Oil & Gas LP.
- (4) BNP's interest is held via BNP Oil and Gas Properties Ltd.
- (5) In addition to the parties named in the table above, KCS Resources Inc has a 20% interest in this field and Larami Ltd has a 1.25% interest in this field.
- (6) In addition to the parties named in the table above, Larami Ltd has a 1.17% interest in this field.
- (7) Golden Gate is increasing its participating interest in Jack Frost from 10% to 20%.
- (8) Novus and Mitsui have indicated that they will elect to retain a working interest in these deep discoveries. The extent of the interest varies with depth and therefore the final interest of Novus, Mitsui and BP is not known at this stage.

For a summary of the various agreements governing the PI Project see Section 8.

### **3D Seismic**

The PI Project's principal targets are new, previously unexplored prospects within the project area with the potential for significant additional reserves and early cash flow. The 3D seismic data invariably images the reservoir section much better than the 2D seismic data that was available 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 20 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. 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 30 tcf 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 gas 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 PI Project 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 this Prospectus West Bird#1 has been completed and is producing at a rate of 2.0 mmcf per day. La Playa #1 has ceased producing from its original zone of production and it is intended to re-complete that well in a new zone of production, which is expected to produce at a similar rate. Dunn-Murdock#1 has depleted its original zone of production, however, the deep prospect was not tested by the well and remains a candidate for future drilling.

### **Coming Work and Programs**

Golden Gate is currently participating in drilling the Jack Frost prospect in the shallows (estimated pre-drill potential reserves of 5 -15 bcf). Golden Gate is increasing its participating interest in Jack Frost to 20% in accordance with the participation agreement summarised in Section 8.2(1) and has paid for its share of the costs of drilling this well to the first logging point (approximately US\$157,000) and at the required time will need to elect whether to continue to participate in, and pay its share of costs of, further drilling. The well was spudded on 5 August 200 and is expected to be completed by the end of August. Depending on the recommendations of the operator, Golden Gate expects it will participate in the drilling of a further two exploration wells (a shallow and a deep) in the last half of 2003. The average cost for Golden Gate to participate in 10% of a deep well is estimated to be approximately US\$560,000.

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

- 18 with estimated pre-drill reserve potential of 3(P90)-25(P10) bcf
- 5 with estimated pre-drill reserve potential of 30(P90)-250(P10) bcf
- 8 with estimated pre-drill reserve potential of 200(P90)-800(P10) bcf
- 2 with estimated pre-drill reserve potential of 900+ (P10) bcf

There are also at least 18 leads in the process of being analysed, which may 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 current Jack Frost well and two wells expected to be drilled in the last half of 2003, the PI Project is likely to approve a further five prospects for drilling in the next 12 months. 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 PI Project'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 PI Project recently granted a farm-out option 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 to be completed by the end of 2003. Thereupon, BP can elect to drill ultra deep targets at its cost. The PI Project participants (other than KCS) retain a 25% reversionary interest in the ultra deep prospects drilled by BP carried into production. This means the Company will have an effective free carried 2.25% interest in any ultra deep drilling undertaken by BP up until BP has recovered its costs of bringing the ultra deep well into production.

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

The BP agreement is summarised in Section 8.

### **Independent Technical Report**

Further technical details on the PI Project and its projects are discussed in the Independent Technical Report in Section 3.

## Section 3 INDEPENDENT TECHNICAL REPORT

**Langusch & Associates**  
energy consulting services

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August 11, 2003

The Directors  
Golden Gate Petroleum Ltd  
Ground Floor  
50 Colin St  
West Perth WA 6005.

Dear Sirs,

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

Golden Gate Petroleum Ltd ("Golden Gate") was formed in June 2003 following the merger of Golden Gate Resources Ltd, a former Canadian-listed oil and gas exploration and production company, and Valdera Resources Ltd ("Valdera").

Golden Gate's principal asset is a 10% participating interest in the Padre Island Joint Venture ("PIJV"). This consortium is progressing a gas exploration and exploitation program on Padre Island, a large sand barrier island located along the Texas coastline of the Western Gulf of Mexico, and its adjacent inshore waters. The PIJV has secured drilling leases covering an area of over 27,000 hectares to date and commenced an active drilling program in 2002.

Langusch & Associates Pty Ltd ("L&A") has been requested to prepare an independent assessment of Golden Gate's PIJV interest for inclusion within a Prospectus being dispatched to the shareholders of Golden Gate.

### **Summary and Conclusions**

L&A has made a detailed assessment of Golden Gate's PIJV interest. This process has included technical meetings and detailed data reviews. A field trip was made to Corpus Christi, Texas, and the nearby PIJV area in February 2003.

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 geological 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 of which the latter have seen little drilling attention.

- Exposure to exploration of ultra-deep plays which are planned to be drilled under a farm-in agreement struck with oil super-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 considered optimal.

The PIJV project area presents particular land access, environmental and operational challenges. In L&A's opinion, 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.

L&A estimates Golden Gates' interest to have an indicative Fair Market Value range of A\$15.8-26.4 million (C\$14.3-23.8 million) based upon the discounted expected monetary value of the eight top-ranked drillable prospects of the PIJV.

Based upon a net risked total reserves volume of 222 bcf (P50 level) over all 33 prospects in the current drilling inventory, the company's PIJV interest offers material potential value upside to the JV. 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\$512 million at USD/AUD FX rate of 0.65) to Golden Gate.

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

The PIJV initially comprised 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%) working in a single joint venture structure.

On June 2, 2003, the JV ownership was restructured effectively splitting into two JV units ("the Novus JV" and "the BNP JV"). However Golden Gates' 10% working interest in each JV remains unchanged, apart from an additional 10% interest being earned in the Jack Frost shallow prospect being drilled by the BNP JV. Novus will take over operatorship and increase its interest in the deeper prospects to 70%, whereas BNP will remain operator of the shallower section increasing its interest there to 80-90%.

Accordingly, Golden Gate will retain exposure to exploration activity in both the shallow and deeper prospects. Under the BP farm-in deal discussed later, Golden Gate will also hold a 2.25% free-carried interest in any ultra-deep wells proposed for drilling by BP.

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.

It is recognised that along the western margins of the Gulf of Mexico there is substantial remaining 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 are directly analagous 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 offers 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 mean field reserves of 5-25 bcf recoverable gas
- deeper targets at depths from about 12,000 to 18,000 ft which could host mean reserves of 100-600 bcf, and
- ultra-deep targets below about 18,000 ft where larger reserves of 1-3 tcf are possible within salt-controlled structures.

It should be noted that these depth limits are approximate ones only. Classifications are actually defined more by well drilling costs. For example, a typical deep prospect well is expected to cost in the range of US\$5-10 million to drill.

The BNP JV is actively pursuing the first, shallower play whilst the Novus JV is targeting the second, deeper play. The third, ultra-deep section forms the basis of the BP farm-in agreement. 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 shallow and deeper prospects with a total unrisks reserves potential of between 1,800 and 9,000 bcf.

The deeper play (approximately 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 seismic 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 2003, 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 around one quarter of their respective existing interest. In Golden Gates' case, its working interest in the ultra-deep section would be diluted to 2.25%.

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 approximately 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 farm-in 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 is the largest producer of oil and gas in North America and arguably the most successful explorer in the deepwater Gulf of Mexico. Due to its size, the group by necessity has a high materiality threshold for its exploration ventures (ie it must "chase elephants"). This means that the PIJV is "riding for free on the coat tails" of an oil major in high upside exploration.

## PIJV Drilling to Date

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

- La Playa-1 (shallow prospect) found gas in Upper Frio sands. The well was initially produced at rates of 2.5-3 mmcf/d from the first productive zone until that zone ceased production. It is currently awaiting recompletion in one of five further pay zones that have been identified.
- Dunn Murdock-1 (shallow & deep prospects) found a small gas accumulation in the shallow Tomato prospect. However due to the deviated 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 2003-04.
- West Bird-1 (shallow prospect) was drilled in the Laguna Madre and found reserves in the order of several bcf (P50 level). It has been producing since early April 2003 at aggregate rates up to 2 mmcf/d from two completed zones.

Formal reserves volumes have not yet been booked for the shallow gas accumulations discovered in the three wells, although initial post-drill assessment work confirms pre-drill estimates of likely P50 reserves in a broad 1-5 bcf range.

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 impeded progress. However following the recent JV restructuring, BNP and Novus will now be able to pursue parallel exploration programs in their respective areas.
- Firm exploration plans for the remainder of 2003 and the 2004 year have yet to be finalised although Novus has set a target to drill six deep prospects by year-end 2004. Given the large number of drillable prospects mapped already, an activity level of 6-8 wells per annum would seem the minimum appropriate across the shallow and deep sections.
- The revised JV structure allows a dual stream exploration strategy targeting both the smaller, lower cost, low risk, shallow prospects in conjunction with a program chasing the larger, higher risk, deeper prospects. Golden Gate retains a 10% interest in each facet.
- 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 adjacent 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 three discoveries within its onshore King Ranch leases (Sarita East, El Paistle Deep and Baffin Bay Gas Unit 3). In the offshore Spinnaker's Stirrup discovery lies only a short distance from PIJV leases. Stirrup is believed to host reserves around 150-200 bcf reservoiried 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 acquired 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 – both Jan 2003) forecast gas prices should average in the

US\$4.00-5.00/mmBtu range. Current NYMEX futures prices (quoted for Henry Hub delivery) are in the region of US\$4.00-5.50/mmBtu.

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 plant construction and well hook-up 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 successful large 3D acquisition shoot 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 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 the PIJV'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 has become extremely simple.

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 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 fracing. 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 farm-in agreement.

The 33 prospects are estimated to host unrisksed mean gas reserves totalling 6,481 bcf (Golden Gates' share 648 bcf). Incorporating estimated risk factors, total risksed 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 risksed gas reserves is potentially worth around US\$333 million (\$512 million at a USD/AUD FX rate of 0.65).

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' 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.

The exploration program for the next 18 months through to year-end 2004 is still being finalised due the recent re-structuring of the PIJV. A group of five shallow and three deep targets has been chosen to provide an indicative valuation of Golden Gates' JV interest at this juncture. This level of drilling activity is considered achievable over this timeframe and should effectively establish the value or otherwise of this prospective area.

The total net EMV for the eight top -ranked prospects (Jack Frost, Peach, Lemon, Homerun, El Mar, Dancer, Lemon Seed and Dunn Deep) amounts to US\$34.3 million (C\$47.5 million at CAD/USD FX rate 0.72, or A\$52.8 million at USD/AUD rate 0.65).

An indicative Fair Market Value of the Golden Gate interest is therefore estimated to be in the range of C\$14.3-23.8 million (A\$15.8-26.4 million).

## **Statements**

### **Limitations**

This report is based upon information provided by various PIJV parties and other publicly-available data covering the 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 Golden Gate Petroleum. The remuneration for this report is not contingent on any value placed upon the interests of Golden Gate .

### **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,

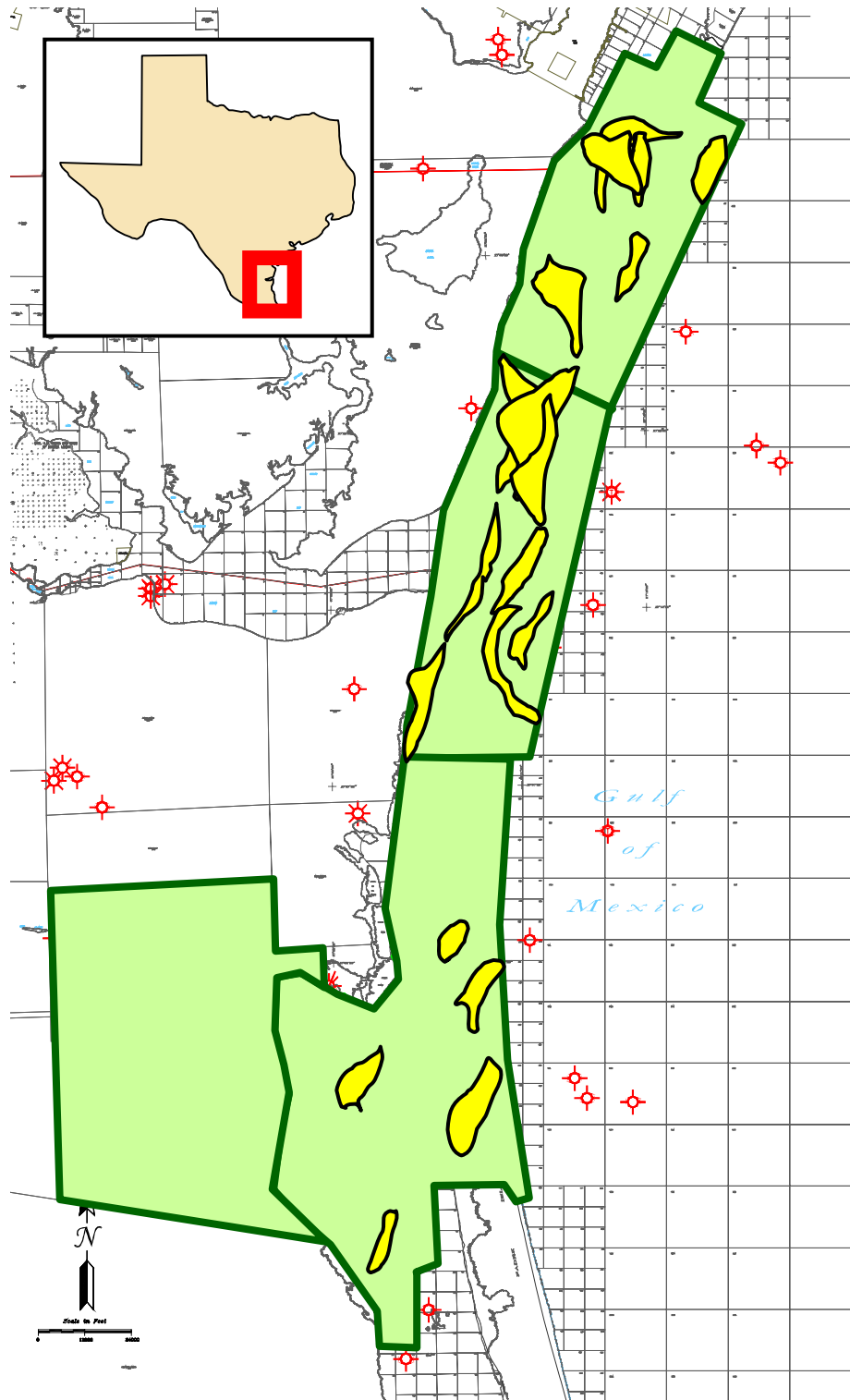
Russell D. Langusch



Director

Langusch & Associates Pty Ltd  
ABN 53 099 069 575  
16 Cooper St  
Balmain NSW 2041.

**Lease Map of Padre Island Project Area**



## **Section 4     DETAILS OF THE OFFER**

### **4.1     The Offer**

By this Prospectus, the Company is offering for subscription up to 2,500,000 Shares at 20 cents each, to raise up to \$500,000. For each Share issued the subscriber will be issued a free New Option exercisable at 65 cents on or before 31 December 2006.

The details of how to apply for Shares and attaching New Options is set out below in Section 4.7.

### **4.2     No Minimum Subscription**

There is no minimum subscription under this Prospectus.

### **4.3     Oversubscriptions**

The Company will not accept oversubscriptions.

The maximum amount that may be raised under this Prospectus is therefore \$500,000.

### **4.4     Indicative Dates**

The indicative timetable for completion of the Offer under this Prospectus is outlined below. The Directors in consultation with the Manager to the Issue reserve the right to vary these dates for any reason (eg. should the Exposure Period be extended).

<b>EVENT</b>	<b>DATE</b>
Date of this Prospectus	11 August 2003
Exposure Period ends	18 August 2003
Closing Date	19 August 2003
Allocation of Shares and New Options and dispatch of holding statements under CHESS system	22 August 2003

#### **Notes:**

- (1) The Directors reserve the right to close the Offer earlier or later than as indicated above, subject to the requirements of the Corporations Act and the Listing Rules.
- (2) The above are anticipated dates only. The date the Shares and New Options are expected to be issued and/or commence trading on the Official List of ASX may vary with any change to the Closing Date.

### **4.5     Purpose of the Offer**

The key purposes of the Offer are:

- to fund on-going working capital requirements as referred to in Section 4.6; and
- to pay the expenses of the Offer.

#### 4.6 Allocation of Funds and Working Capital

The funds raised from the Offer will be allocated as follows:

Description	Allocation
Offer Expenses	\$40,000
Working Capital to contribute to cost of proposed drill programs	\$460,000
<b>Total</b>	<b>\$500,000</b>

Details of the proposed drilling programs are set out in Section 2.2.

On completion of the Offer, the Directors believe that the Company will have sufficient working capital to carry out its stated objectives.

#### 4.7 Applications for Shares and New Options

Investors can only apply for Shares and attaching New Options pursuant to the Offer by completing the Application Form attached to or accompanying this Prospectus.

Those Applicants may apply for a minimum parcel of 10,000 Shares (and attaching New Options) representing a minimum investment of \$2,000. Applicants requiring additional Shares (and attaching New Options) must apply for Shares (and attaching New Options) in multiples of 2,500 Shares (equivalent to \$500) thereafter. Applications for less than the minimum application of 10,000 Shares (equivalent to \$2,000) will not be accepted.

#### 4.8 Lodgment of Application Forms

All completed Application Forms, must be lodged with the Company on or before the Closing Date:

<i>by post to</i>	<i>or delivered to</i>
Golden Gate Petroleum Limited C/- Siafu Securities Pty Ltd GPO Box 2553 PERTH WA 6001	Golden Gate Petroleum Limited C/- Siafu Securities Pty Ltd Level 29, Allendale Square 77 St George's Terrace PERTH WA 6000

No brokerage or stamp duty is payable by Applicants in respect of their Applications.

Applications must be accompanied by payment in full in Australian currency of 20 cents for each Share applied for. Payment must be by way of cheque or bank draft drawn on and payable on an Australian bank and should be made payable to "**Golden Gate Petroleum Limited – Share Account**" and crossed '**Not Negotiable**'.

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Prospectus.

A duly completed and lodged Application Form will constitute an offer by the Applicant to subscribe for the number of Shares (and attaching New Options) applied for pursuant to the Application Form.

#### 4.9 **Allocation**

The Directors retain an absolute discretion in allocating Shares (and attaching New Options) under the Offer. The Directors reserve the right to allot to an Applicant a lesser number of Shares (and attaching New Options) than the number for which the Applicant applies or to reject an Application. If the number of Shares (and attaching New Options) allotted is fewer than the number applied for, surplus Application Monies will be refunded without interest. The acceptance of Applications and the allocation of Shares (and attaching New Options) is at the absolute discretion of the Directors.

The Company will not be liable to any person not allocated Shares.

#### 4.10 **Application Monies held in Trust**

All Application Monies will be held in trust in a subscription account until allotment. The subscription account will be established and kept by the Company on behalf of the Applicants.

All interest earned on all Application Monies (including those which do not result in allotments of Shares) will be retained by the Company.

#### 4.11 **Brokers**

The Company will pay a fee of a maximum of 5% of the amount subscribed (and accepted by the Company) to any holders of Australian Financial Services Licences in respect of Applications bearing the stamp of such licensees.

#### 4.12 **Australian Stock Exchange Limited**

Application will be made by the Company to the ASX, within seven (7) days following the date of this Prospectus, for the Shares and New Options issued pursuant to this Prospectus to be admitted to quotation on ASX. If the Shares and New Options are not admitted to quotation within 3 months after the date of this Prospectus, all Application Monies will be refunded without interest.

The ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may admit the Shares and New Options to quotation is not to be taken in any way as an indication of the merits of the Company or the securities offered pursuant to this Prospectus.

On 19 March 2003, the Company announced to ASX it had entered into the merger agreement with GGR. As entering into that agreement triggered the operation of Listing Rule 11 (which deals with changes in the activities of a company) in accordance with ASX convention, the Company's securities were suspended from trading on 19 May 2003.

By completing the merger and issuing the prospectus the Company issued in July 2003 and successfully completing the offer under that prospectus, the Company believes it will satisfy Chapters 1 and 2 of the Listing Rules and accordingly the Company has made application for its securities to be re-listed on ASX. In these circumstances, the Company expects the ASX will consider favourably the Company's application and exercise its discretion to reinstate the Company's previously listed securities, and admit the Shares and New Options offered pursuant to this Prospectus to quotation.

#### 4.13 **CHESS**

The Company participates in the Clearing House Electronic Subregister System ("**CHESS**"), operated by ASX Settlement and Transfer Corporation Pty Ltd ("**ASTC**") a wholly owned subsidiary of ASX, in accordance with the Listing Rules and SCH Business Rules.

Under this system, the Company will not issue certificates to investors. Instead, shareholders will receive a statement of their holdings in the Company. If an investor is broker-sponsored, the ASTC will send them a CHESS statement.

The CHESS statement will set out the number of securities allotted to each holder under the Prospectus, give details of the shareholder's Holder Identification Number and give the Participant Identification Number of the sponsor.

If you are registered on the Issuer Sponsored Subregister, your statement will be dispatched by the share registry and will contain the number of securities allotted under the Prospectus and the Shareholder's Securityholder Reference Number.

A CHESS statement or Issuer Sponsored Statement will routinely be sent to shareholders at the end of any calendar month during which the balance of their holding changes. A shareholder may request a statement at any other time, however a charge may be made for additional statements.

#### 4.14 **Overseas Investors**

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or the New Options or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

The Offer pursuant to an Electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia.

#### 4.15 **Withdrawal**

The Directors may at any time decide to withdraw this Prospectus and the Offer, in which case, the Company will return all Application Monies without interest as soon as reasonably practicable after such withdrawal.

## **Section 5      DIRECTORS**

### **5.1      Profiles of the Directors**

#### **Mr Craig Ian Burton (LLB, BJuris) – Non-Executive Director**

Mr Burton is a corporate solicitor by training. Over the last 10 years, Mr Burton has focussed on financing and managing resource projects, principally through public listed vehicles. He has undertaken financing activities in both Australia and Canada for resource projects located in Australia, southern Africa, southeast Asia and central Europe, covering gold, nickel, copper, oil and diamonds.

More recently, Mr Burton established Verona Capital, a private venture capital group that invests in new or developing business ventures. He is a director of Exco Resources NL, West Oil NL and Rewards Group Limited.

#### **Mr Salvatore (Sam) Russotti (BSc) –Executive Director**

Mr Russotti is a geologist with more than 30 years experience in the petroleum industry. He has been executive director of GGR since May 2001, after ten years as general manager and finance manager of Cultus Petroleum. Previously, he was planning manager for Peko Oil Ltd from 1987-90. Mr Russotti has been a director of the Company since the merger with GGR on 30 June 2003.

#### **Mr Francesco (Frank) Petruzzelli (BBus) –Non-Executive Director**

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

## Section 6 FINANCIAL INFORMATION

### Pro-Forma Statement of Financial Position

The consolidated reviewed statement of financial position of the Company as at 31 March 2003 and a pro-forma consolidated statement of financial position at that date based on the completion of the Issue are set out below.

	<b>Consolidated Reviewed Historical 31/3/03 \$</b>	<b>Consolidated Pro forma 31/3/03 \$</b>
<b>CURRENT ASSETS</b>		
Cash Assets	1,914,652	4,070,938
Receivables	46,839	172,299
	<hr/>	<hr/>
<b>TOTAL CURRENT ASSETS</b>	1,961,491	4,243,237
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	-	9,047
Deferred exploration, development and evaluation expenditure	273,127	18,593,252
Other	53,518	53,518
	<hr/>	<hr/>
<b>TOTAL NON-CURRENT ASSETS</b>	326,645	18,655,817
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	2,288,136	22,899,966
<b>CURRENT LIABILITIES</b>		
Payables	117,307	301,591
Loan	-	1,178,188
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	117,307	1,479,779
	<hr/>	<hr/>
<b>NET ASSETS</b>	2,170,829	21,420,187
<b>EQUITY</b>		
Contributed equity	5,867,641	25,116,989
Option premium reserve	480,000	480,000
Accumulated losses	(4,176,812)	(4,176,812)
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	2,170,829	21,420,187
	<hr/>	<hr/>

The pro forma consolidated statement of financial position assumes that following transactions have taken place as at 31 March 2003 and shows the financial effects on the Company as if those transactions had taken place as at that date:

- the consolidation of the Company's share capital on a basis of 1 Share for every 2.6 Shares on issue at 31 March 2003;

- the issue of 96,012,949 Shares at an issue price of 18.2 cents each to shareholders of GGR in return for the Company acquiring 100% of the share capital of GGR and completing the merger with that company. As a result GGR is consolidated as a wholly owned subsidiary of the Company;
- the issue of 12,760,000 free Merger Options at various exercise dates and exercise prices as part of the merger arrangement with GGR;
- the issue of 7,500,000 Shares at an issue price of 20 cents to raise \$1,500,000 (minus raising costs of \$185,000) plus 7,500,000 free attaching Existing Options; and
- the placement of the maximum offered under this Prospectus of 2,500,000 Shares at an issue price of 20 cents to raise \$500,000 (minus raising costs of \$40,000) plus free attaching New Options on a one for one basis.

### **Subsequent Events**

The following material events have occurred subsequent to 31 March 2003:

- the Company has paid its share of drilling costs with respect to the Jack Frost to the first logging point totalling \$241,463;
- the Company repaid the balance of the loan from BNP (see Section 8.2(f)) being A\$1,141,209 on 31 July 2003;
- the Company and GGR incurred expenses in connection with the merger of those companies, estimated to be \$250,000 in total; and
- the Company and GGR have derived income and incurred operating expenses in the ordinary course of business.

The Directors consider that there have been no material transactions or events subsequent to 31 March 2003, other than those included above, which would require comment on, or adjustment to, the financial information included in this Section 6.

## **Section 7 RISK FACTORS**

### **7.1 Introduction**

Potential investors in the Company should be aware that subscribing for Shares and attaching New Options involves a number of risks. The risk factors outlined in this Section and elsewhere in this Prospectus should be carefully considered by investors when evaluating an investment in the Company. In addition, investors should appreciate that the value of shares and options on ASX may rise or fall depending on a range of factors beyond the control of the Company. This is especially the case with companies undertaking oil and gas exploration and production activities.

Any of the factors set out in this Section or any other factors identified in this Prospectus may materially affect the financial performance of the Company and the market price of its Shares and New Options. To that extent the Shares and New Options carry no guarantee with respect to the payment of dividends, return on capital or the price at which those Shares and New Options will trade on the ASX.

The Directors consider that an investment in the Company should be considered speculative due to:

- (a) the recent volatility in publicly listed entities on world stock markets generally, and of oil and gas exploration and production companies in particular;
- (b) the speculative nature of oil and gas exploration activities; and
- (c) reliance by the Company on joint venture arrangements and joint venture participants complying with their respective obligations.

While the Company plans to take prudent measures to safeguard from, or mitigate its exposure to these risks, many of the risks are outside of the Company's control.

There are a number of risk factors that investors should consider before deciding whether or not to invest in the Shares and New Options. The principal risk factors include, but are not limited to, the matters described below.

### **7.2 General Risks**

#### **(a) Security Investments**

Applicants should be aware that there are risks associated with any securities investment. The prices at which the Company's Shares and New Options trade may be above or below the offer price and may fluctuate in response to a number of factors.

Further, the stock market and in particular the market for oil and gas exploration companies, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price

of the Shares and New Options, regardless of the Company's operational performance.

(b) **Share Market Conditions**

The market price of the Shares and New Options may fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Economic Risk**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include, the level of direct and indirect competition against the Company, industrial disruption, the rate of growth of gross domestic product, interest rates and the rate of inflation in the countries in which the Company operates.

(d) **Foreign Exchange Risk**

The value or sale price of oil and gas that may be produced by the Company (if any) will expose the income of the Company to the effects in the change in currency (exchange rate) risk.

The international price of oil is denominated in United States dollars, whereas the income and expenditure of the Company are, and will be accounted for in Australian dollars. The revenues of the Company will be exposed to the fluctuations and volatility of the price of oil and the rate of exchange between the United States dollar and the Australian dollar, as determined in international markets.

(e) **Competition**

The Company competes with other companies, including major oil companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. Many of the Company's competitors not only explore for and produce oil and gas, but also carry out refining operations and market petroleum and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

(f) **Title and Title Opinions**

The system for obtaining title to oil and gas leases in Texas is complex given that numerous parties may hold the undivided mineral rights to a particular tract of land (see further Section 8). Securing the leases to those rights often requires lengthy negotiation with the various parties. In order to independently verify that the parties with whom the a company is dealing are the correct and sole holders of the mineral rights and to analyse the full rights and restrictions applying to the interest held by those parties requires that a company obtain

detailed title opinions from appropriately qualified and experienced lawyers in Texas. This can be a lengthy and expensive process and the final opinions are often the subject of numerous qualifications. It is therefore customary in Texas that such title opinions are not sought until the company proposes to conduct a drilling operation and/or expend significant amounts of money on a particular lease.

The PI Project has adopted this customary approach and accordingly, has not obtained the detailed title opinions on its leases other than those that are currently in production or on which drilling has been proposed in near future. See further Section 8.

As a consequence there may be third parties that hold or claim mineral rights in relation to the leases held by the PI Project, either executive or rights to royalty interest, which have not previously been identified by the PI Project.

Further, all of the leases in which the Company has an interest have a fixed term and will be subject to applications for renewal. The renewal of the term of each permit or licence is usually at the discretion of the relevant lessor.

If a lease is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any oil or gas resources on that lease.

**(g) Oil and Gas Price Volatility**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

**7.3 Oil and Gas Industry Risks**

**(a) Exploration and Development Risks**

Oil and gas exploration involves significant risk only occasionally providing high rewards. In addition to the normal competition for prospective ground, and the high costs of discovery and development of an economic deposit, factors such as demand for commodities, stock market fluctuations affecting access to new capital, sovereign risk, environmental issues, labour disruption, project financing, foreign currency fluctuations and technical problems all affect the ability of a company to profit from a discovery.

There is no assurance that exploration and development of the successful prospects in the areas described in this Prospectus, or any other projects that

may be acquired in the future, will result in the discovery of an economic oil and gas deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

Furthermore, the Company will only proceed to the next stage of exploration or development only when data support the existence of an economically viable oil and gas deposit. Should the empirical data not support the existence of an economically viable oil and gas deposit, the Company will not proceed to the next stage of exploration as outlined in this Prospectus.

**(b) Drilling and Operating Risks**

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The actual costs of drilling a well may be substantially more than the drilling costs estimated prior to spudding the well due to unforeseen circumstances encountered while drilling. The Company's operations may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortage or delays in the delivery of rigs and/or other equipment and compliance with government requirements. Drilling may involve unprofitable efforts, not only with respect to dry wells, but also with respect to wells which, though yielding some petroleum, are not sufficiently productive to justify commercial development or cover operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. Hazards incidental to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures, oceanographic conditions or other factors are inherent in drilling and operating wells and may be encountered by the Company.

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation and penalties and suspension of operations. Damages occurring as a result of such risks may give rise to claims against the Company. Although the Company believes that it or the operator will carry adequate insurance with respect to its operations in accordance with industry practice, in certain circumstances the Company's or the operator's insurance may not cover or be adequate to cover the consequences of such events. In addition, the Company may be subject to liability for pollution, blow-outs or other hazards against which the Company or the operator does not insure or against which it may elect not to insure because of high premium costs or other reasons. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company. Moreover, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates that it considers reasonable.

(c) **Appraisal Drilling Risk**

When drilling activities are undertaken, there is no assurance that oil and/or gas will be discovered or, even if they are, that commercial quantities of oil and/or gas can be recovered from these wells. No assurance can be given that if commercial reserves are discovered the Company will be able to realise such reserves as intended.

(d) **Ability to Exploit Successful Discoveries**

It may not always be possible for the Company to participate in the exploitation of any successful discoveries which may be made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. Such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

(e) **Resource and Reserve Estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, resource estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, resource estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations.

(f) **Payment Obligations**

Under the exploration leases, permits and licences and certain other contractual agreements to which the Company is or may in the future become party, the Company is or may become subject to payment and other obligations. In particular, the holders are required to expend the funds necessary to meet the minimum work commitments attaching to the leases, permits and licences. Failure to meet these work commitments will render the lease, permit or licence liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Company.

## 7.4 Specific Risks

### (a) Insurance

Insurance of all risks associated with oil and gas exploration and production is not always available and, where available, the cost can be high. The Company will have insurance in place considered appropriate for the Company's needs. The Company will not be insured against all possible losses, either because of the unavailability of cover or because the Directors believe the premiums are excessive relative to the benefits that would accrue. All insurance relating to any joint venture arrangements will be negotiated as part of any agreement. The Directors will then review the insurance cover a joint venture has in place to ensure that it is adequate and to ascertain whether the Company should take out its own insurance to further protect its interests in the joint ventures.

### (b) Reliance on Key Personnel

The Company is reliant on a number of key employees, including all Directors of the Company. The loss of one or more of its key personnel could have an adverse impact on the business of the Company.

There are currently no service agreements between the Company and any Director that requires the Director to remain a Director of the Company for any period of time.

If one or more of the Directors resign, then this may have a material impact on the future prospects of the Company.

### (c) Future Capital Needs and Additional Funding

The future capital requirements of the Company will depend on many factors including the results of future exploration and work programmes. The Company has already met its commitment for the costs of drilling Jack Frost to the first logging point and believes its available cash and the net proceeds of this Offer will be adequate to fund its commitments towards deeper drilling of Jack Frost and the 2 further wells expected for 2003.

Further funding may be required to fund its commitments of future wells to be drilled. Should the Company require additional funding there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

### (d) Joint Venture Parties and Contractors

The Directors are unable to predict the risk of:

- (i) financial failure, default or non-compliance with respective obligations by a participant in any joint venture to which the Company is, or may become, a party;

- (ii) insolvency or other managerial failure by any of the contractors used by the Company in its exploration activities; or
- (iii) insolvency or other managerial failure by any of the other service provider used by the Company for any activity.

(e) **No Profit to Date**

The Company has incurred losses since its inception and it is therefore not possible to evaluate the future prospects based on past performance. Since the Company intends to continue investing in its exploration programme the Directors anticipate making further losses in the foreseeable future. While the Directors have confidence in the future revenue earning potential of the Company, there can be no certainty that the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

(f) **Policies and Legislation**

Any material adverse changes in government policies or legislation of Australia and the United States of America that affect oil and gas exploration activities, may affect the viability and profitability of the Company.

## 7.5 **Environment Risks**

The Company's operations are subject to the environmental risks inherent in the oil and gas industry. The Company is subject to environmental laws and regulations in connection with all of its operations. Although the Company believes that it is in compliance in all material respects with all applicable environmental laws and regulations, there are certain risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances, that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities which are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Company's cost of doing business or affect its operations in any area.

The Company has not incurred any significant costs for contamination resulting from its operations and the Company believes that it is in material compliance with all applicable laws relating to the protection of the environment, including laws regulating the discharge of materials. However, there can be no assurances that new environmental laws, regulations or stricter enforcement policies, once implemented, will not oblige the Company to incur significant expenses and undertake significant investments in such respect which could have a material adverse effect on the Company's business, financial condition and results of operations.

## **Section 8 LEASE INFORMATION AND RELATED AGREEMENTS**

### **8.1 Petroleum Interests in Texas, USA**

#### **(a) Introduction to Petroleum Law in Texas, USA**

The general position in the United States is that surface land owners own all of the minerals within the boundaries of their property from the surface to all of the depths of the subsurface. Oil and gas therefore, can be owned by any legal entity, including individuals, businesses, public organisations, the state or the federal governments, depending on who owns the surface of the land in which the minerals are present. The main exception to this position is where the rights to the minerals have been severed from the surface ownership and reserved or conveyed to another entity.

The Padre Island Project area is composed of acreage located in Kleberg, Nueces, Kenedy counties onshore Texas and also includes acreage in the Laguna Madre area of offshore Texas, adjacent to Padre Island. The mineral rights in this area are owned by either the State of Texas or private entities. In particular, the State of Texas owns the minerals under all water bodies, as well as many other landed tracts within the State. Since the Padre Island Project is composed primarily of water bodies, the State of Texas is the primary lessor on the oil and gas leases composing this project area.

In Texas, the owner of mineral rights has the right to explore for and produce the minerals it owns. This right is exercised most frequently by the execution of oil and gas leases in favour of parties who will undertake the actual operations to recover these minerals.

Oil and gas leases on privately (non-State) owned mineral rights are typically entered into by the owner of the mineral rights in favour of a lessee who agrees to perform drilling and production operations. The terms of these oil and gas leases are a matter of negotiation between the owner of the minerals and the lessee and will therefore vary for each mineral property. However, there are many "standard" provisions that are typical in these leases, including:

- (i) consideration payable in the form of a signing bonus and then annual rentals until production is established;
- (ii) the lessee being responsible for 100% of the capital costs necessary to drill for and produce the oil and gas and holding the lessor harmless from all liability as a result of operations;
- (iii) the lessor retaining a royalty interest in all production produced and sold attributable to its mineral rights and this amount is highly negotiable, commonly ranging between 12.5% and 25% and is generally payable without any deductions except taxes; and
- (iv) an initial term ranging between 3 to 10 years and then surviving for as long as production continues without a lapse of production for a specified period, usually 60 or 90 days.

Oil and gas leases on State owned mineral rights are issued by the State of Texas through competitive bidding processes administered by the Texas Commissioner of the General Land Office pursuant to the *Texas Natural Resources Code, Chapters 32, 33, 51 and Chapter 52, A-D and H*. The lease form is currently the version "Revised 10/99" and the terms are not negotiable; however, the consideration to be paid and terms are subject to competitive bidding. The royalty is 25%, but subject to reduction if certain production thresholds are achieved. Minimum royalties are payable of no less than the amount equal to the total annual delay rentals for the lease (being US\$10 per acre per year). The lease term is five years and then for as long thereafter as oil or gas is produced in paying quantities. The term may be extended for further periods of 1 year (up to a maximum of 5 years) by payment of a shut-in royalty if a well capable of producing is not being produced due to lack of production facilities or a suitable market. After a reasonable time to develop the lease, all non-productive acreage must be released from the lease.

In addition to the above, leases (whether private or State) may include:

- (i) restrictions on a lessee's right to assign its interest without prior notice to, and consent of, the lessor, usually the case in leases from large landowners, the various State governments and the federal government; and
- (ii) requirements for the lessee to provide security or insurance bonds, usually in the case of State or Federal leases, if the property is in sensitive areas or if the lessor have discomfort with the financial integrity of the lessee.

All oil and gas operations conducted in Texas, either on State or private lands are subject to regulation and supervision by the Texas Railroad Commission (the "**RRC**"). The official rules of the Railroad Commission are found in the *Texas Administrative Code, Title 16, Part 1, Chapters 1 through 20*. These regulations deal with such matters as drilling production, well spacing, unitisation and transportation of oil and gas. The regulations are complex and detailed and strict compliance is required. The Railroad Commission also has enforcement responsibility and the staff to administer compliance.

The RRC is the chief state agency to ensure environmental compliance with the various state environmental regulations. The environmental regulations apply from the inception of operations on the lease (both private and State) until plugging, abandoning and reclamation. Compliance with all environmental regulations is required in order to abandon operations on a lease. In addition to state environmental regulations, there are also federal environmental laws that have concurrent application. Violations of these federal laws may also result in enforcement actions by various federal agencies, including but not limited to, the Environmental Protection Agency and the Department of Justice.

Since most of the Padre Island is contained within the Padre Island National Seashore ("**PINS**"). it is subject to concurrent regulation by various federal agencies. PINS is administered by the National Parks Department, under the control of the Federal Department of the Interior. In addition, the lagoonal

waters are controlled by the US Army Corps of Engineers, again a Federal body responsible for wetlands and waterways. 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.

Before any operations may be commenced in search of oil and gas by drilling on any lease, either private or government, it is necessary for the operator to ascertain and obtain all state and federal permits applicable to the drilling location. Failure to do so may result in stoppage of work and/or penalties and fines.

In addition to the royalty amounts due to private lessors and the State of Texas, there are severance taxes payable to the State of Texas which are calculated based on the volumes produced. Severance tax for oil is currently 4.6% of the market value of oil produced and sold; for gas, it is 7.5% of the market value of gas produced and sold. There are several severance tax incentives and rebates available for certain categories of gas to encourage increased production.

Any company wishing to conduct business within the State of Texas, which includes holding an interest in any oil and gas lease, must be qualified by submitting the proper documentation to the Secretary of State of Texas and being issued a Certificate of Good Standing. In addition, entities owning State of Texas leases must submit detailed information regarding corporate structure, officers, business operations within the State of Texas and a security bond in a variable amount depending on the number of wells owned within the State.

**(b) Leases in Texas, USA**

The PI Project has secured 143 drilling leases covering approximately 28,000 hectares of exploration acreage and holds options to add another 12,100 hectares. The leases were negotiated on behalf of the PI Project by the operator at the time, BNP. These leases are with the numerous parties that hold the mineral rights to the relevant areas. Given the substantial number of leases, neither the Company nor PI Project has obtained detailed title opinions on all leases (see further Section 7.2(f)). The PI Project has obtained title opinions on those leases which are currently in production or are due to be drilled in the very near future.

In relation to those leases in respect of which title opinions have been obtained:

**(i) La Playa**

The PI Project obtained a title option on the land known as La Playa No.1 on 26 February 2002.

La Playa No.1 is comprised of 3 tracts of land. The State of Texas holds the mineral estate to two of those tracts of land and has granted leases to the PI Project for the whole of that mineral estate. The mineral estate for the third tract of land is held by numerous individuals in undivided interests, the majority of whom have granted leases to the PI

Project. The percentage of the undivided mineral estate over which the PI Project does not have a lease equates to 1.27%.

There are also numerous bonus and rental interests, royalties and overriding royalties which affect these tracts of land. The aggregate of the royalties and overriding royalties payable in respect of each tract of land is between approximately 23.5% and 23.9%.

Each of the leases from the State of Texas commenced in 2000 and has an initial term of 5 years. The other leases commenced on various dates in 2001 and have a term of 3 years and then continue for as long as oil, gas or other mineral is produced from the land.

(ii) West Bird

The PI Project obtained a title option on the land known as the West Bird Unit on 15 May 2002.

The West Bird Unit is comprised of 8 tracts of land. The State of Texas holds the mineral estate in all of the tracts of land and has granted leases to the PI Project for the whole of that mineral estate.

There are also numerous royalties and overriding royalties which affect these tracts of land. The aggregate of the royalties and overriding royalties payable in respect of each tract of land ranges between approximately 20% and 30%.

(iii) Jack Frost

The PI Project obtained a supplemental title option on the land known as the Jack Frost prospect on 5 February 2003.

The mineral estate to the Jack Frost prospect is held by the John G and Marie Stella Kenedy Memorial Foundation, which foundation executed a lease with BNP effective 22 January 2003.

There are also numerous royalties and overriding royalties which affect this land. The aggregate of the royalties and overriding royalties payable in respect of each tract of land is approximately 20 to 30%.

## 8.2 Padre Island Project Agreements

Until recently the main agreement governing the PI Project was the Padre Island Project Operating Agreement ("PIPOA") and associated agreements. However, on 29 May 2003 the PI Project participants entered into the Settlement Agreement under which they restructured their respective interests in the PI Project and varied certain provisions of the PIPOA.

Generally speaking the PI Project is now governed by a number of different agreements which apply to various prospects or to various depths as follows:

<b>Padre Island Joint Venture Participating Interest</b>						
<b>Prospect/Section Joint Venture</b>	<b>Participant</b>					<b>Agreement</b>
	<b>Golden Gate<sup>(1)</sup></b>	<b>Novus<sup>(2)</sup></b>	<b>Mitsui<sup>(3)</sup></b>	<b>BNP<sup>(4)</sup></b>	<b>BP</b>	
La Playa field <sup>(5)</sup>	10%	30%	15%	23.75%		La Playa JOA (See Section 8.2(i))
West Bird field <sup>(6)</sup>	10%	40%	20%	28.83%		West Bird JOA (See Section 8.2(j))
Shallow leases over 6 specific areas (Jack Frost, Hook, Fault/County Line, El Mar, Peach/Manzano, Shallow and Lemon)	10% <sup>(7)</sup>	-	-	90%		Model Form JOA and Jack Frost Participation Agreement (see section 8.2(h) and 8.2(l))
Lemonseed Prospect (deep)	10%	40%	20%	30%		Lemonseed JOA (See Section 8.2(k))
Ultra Deep Section	10%	40%	20%	30%		To be negotiated subject to BP Participation Agreement
Ultra deep discovery developed by BP section (Phases 1 & 2) <sup>(8)</sup>	2.25%	Varies	Varies	7.75%	76-80%	BP Participation Agreement (See Section 8.2(b))
All other leases (including identified deep prospects excluding Lemon Seed; the balance of the shallow leases excluding those noted above; the Tomato gas fields and the ultra-deep section outside the BP farmin AMI which coincides with seismic phases 1 & 2).	10%	70%	20%	-		PIPOA (See Section 8.2(a))

Note:

- (1) Golden Gate's interest is held via its wholly owned subsidiary, Long Flat Limited.
- (2) Novus's interest is held via Novus Oil & Gas LP.
- (3) Mitsui's interest is held via MOEX Texas Oil & Gas LP.
- (4) BNP's interest is held via BNP Oil and Gas Properties Ltd.
- (5) In addition to the parties named in the table above, KCS Resources Inc has a 20% interest in this field and Larami Ltd has a 1.25% interest in this field.
- (6) In addition to the parties named in the table above, Larami Ltd has a 1.17% interest in this field.
- (7) Golden Gate is increasing its participating interest in Jack Frost from 10% to 20%.
- (8) Novus and Mitsui have indicated that they will elect to retain a working interest in these deep discoveries. The extent of the interest varies with depth and therefore the final interests of Novus, Mitsui and BP are not known at this stage.

Summaries of these agreements appear below.

- (a) ***Padre Island Project Operating Agreement as amended by Amendment Agreements dated 28 September 2001, 7 February 2002 and 28 February 003 ("PIPOA")***

***Background***

This PIPOA was originally between BNP Petroleum Corporation ("**BNP**"), Novtex Oil & Gas Limited and BNP Oil & Gas Properties Ltd. As a consequence of various transactions and the Settlement Agreement (summarised in Section 8.2(c)) the parties to this Agreement are now MOEX

Texas Oil & Gas LP (a subsidiary of Mitsui Corporation) ("**MOEX**"), Novus Oil & Gas LP ("**NOGL**") and Long Flat.

The PIPOA seeks to govern the respective rights and obligations of the Parties with regard to joint exploration, appraisal, development and production of hydrocarbons in the "Contract Area". The Contract Area was originally the whole of the area of the leases but is now subject to a number of depth restrictions and carve-outs by virtue of the BP Participation Agreement (see Section 8.2(b) and the Settlement Agreement and related documents (see Section 8.2(c)). The parties to the PIPOA are not joint venturers or in partnership but have the right and obligation to own, take in kind and separately dispose of its share of the total production to which it is entitled under the Agreement.

#### *Operator*

As a result of the Settlement Agreement, the operator of the PIPOA is now NOGL. The operator has the exclusive charge and conduct of all PIPOA operations in accordance with instructions from the operating committee. The PIPOA contains detailed provisions dealing with the obligations of the Operator, its removal, and the appointment of a successor. The Operator is not liable for any damage, loss, cost, expense or liability resulting from performing (or failing to perform) the duties and functions of the Operator and, except in the case of gross negligence or wilful misconduct, is indemnified by the non-Operators, in proportion to their respective participating interests.

#### *Operating Committee*

Each party holding a participating interest may appoint one representative to the operating committee. Each representative has a vote equal to the participating interest of the party it represents. Decisions of the operating committee (other than for an Exclusive Operation – see below) require an affirmative vote of 2 or more parties (that are not affiliates) having collectively 75% of the participating interests.

All decisions made by the operating committee are conclusive and binding on all the parties except that if a party voted against a proposal for a Joint Operation (being operations which are conducted by the operator at the costs of all parties) that was approved by the operating committee and that could be conducted as an Exclusive Operation (defined below) then such party shall have the right not to participate in the operation and the parties who elected to participate in the operation shall conduct it as an Exclusive Operation.

#### *Work Programs and AFEs*

The PIPOA provides for the parties to approve work programs and budgets annually. If the operating committee is unable to agree on a work programs and budget then a proposal capable of satisfying the minimum requirements to maintain the leases is deemed to be adopted.

Prior to incurring expenditure in excess of US\$25,000 the operator shall send each party an authorisation for expenditure ("**AFE**") and obtain approval of that AFE. If an AFE is not approved within the required time the operation is deemed to be rejected (and any party may propose it as an Exclusive

Operation). The operator may exceed a program and budget by up to 5% without approval of the operating committee. The operator shall make cash calls twice per calendar month for amounts stated in an approved work program and budget.

#### *Exclusive Operations*

A party may propose an Exclusive Operation (being an operation conducted at the cost of less than all parties), if a Joint Operation has been proposed but the operating committee has not approved the proposal in a timely manner and provided that the other procedures in the PIPOA are followed. Only specified operations may be proposed as Exclusive Operations and no Exclusive Operation can be conducted in conflict with a Joint Operation.

If a party proposes to conduct an Exclusive Operation, the parties may then elect to participate in such operations. If all parties exercise their rights to participate in the Exclusive Operation, then the proposed operation shall be conducted as a Joint Operation. If less than all Parties exercise their rights to participate in the Exclusive Operation, those electing to do so ("**Consenting Parties**") are to elect a participating interest each is willing to bear in the Exclusive Operation. Once the Consenting parties subscribe to 100% of the Exclusive Operation, the operator (on behalf of those parties) shall commence Exclusive Operations as soon as possible. The Consenting Parties shall bear the entire cost and liability of conducting the Exclusive Operation and shall indemnify the non-Consenting Parties from all costs and liabilities incurred in respect of such Exclusive Operations. If the Exclusive Operation is not commenced within 60 days the right to conduct the option shall terminate.

Non-consenting parties are entitled to access all data and information relating to the Exclusive Operation, other than the geological and geophysical data ("**G&G Data**") obtained in the Exclusive Operation. The non-Consenting party has the right to receive and acquire the right to use the G&G Data from the Exclusive Operation by paying to the Consenting Parties 300% of the its participating interest share of the cost of obtaining the G&G Data.

Each non-Consenting Party is deemed to have relinquished to the Consenting Parties its right to participate in further operations in the well in which the Exclusive Operations were conducted and any hydrocarbons produced from that well.

A non-Consenting Party has an option to reinstate these rights if the Consenting Parties decide to appraise or develop a discovery made in the course of an Exclusive Operation, to deepen, complete, sidetrack, plug back or recomplete a well not completed by the original Exclusive Operation or to acquire G&G Data or further leases. To do so the non-Consenting Party must agree to bear its shares of costs of the future operations and pay to the Consenting Parties a lump sum amount calculated on a cash premium formula set out in the PIPOA.

A party may hold a participating interest in Joint Operations and in Exclusive Operations and its Participating Interest in each of these may be dealt with

separately. The participating interest of a party in an Exclusive Operation is calculated by reference to expenditures contributed for that operation.

#### *Default*

If a party fails to pay its share of expenses, cash advances and interest it is in default under the Agreement and the amount not paid will bear interest at an agreed rate. The defaulting party is not entitled to attend operating committee meetings and vote and it does not have the right to its share of production or proceeds from any sale while it continues to be in default. Each party grants a lien and security interest on its interest in and under the PIPOA present and future, together with all products and proceeds derived from that interest, in favour of each other party.

#### *Abandonment*

A decision to plug and abandon any well must be approved by the operating committee and the cost, risk and expense borne by the parties who participated in the cost of drilling the well. A surrender of all or any part of the Contract Area requires the unanimous consent of the Parties.

#### *Assignment*

The assignment of any participating interest requires the consent of the other Parties, such consent may not be unreasonably withheld in certain circumstances. Unless a party is assigning all of its participating interest, it may not transfer a participating interest so that either the transferor or transferee holds less than a 10% participating interest. A transferor remains liable for any obligations which have accrued prior to the transfer.

#### *Withdrawal*

Any party may withdraw from the PIPOA by giving notice to the other parties after obtaining unanimous approval of the operating committee for such withdrawal. A withdrawing party is to assign its participating interest free of cost to each of the non-withdrawing parties (in proportion). The withdrawing party will remain liable for certain costs and expenses including all costs of operations in which it agreed to participate before its notification of withdrawal.

#### *Overriding Royalties*

If a party creates an overriding royalty or other burden payable out of production attributable to the participating interest that party must assume and alone bear, pay and discharge the burden and indemnify the other parties.

### **(b) *Participation Agreement 10 March 2003 and Related Documents***

#### *Deep Rights Option*

Under this Agreement, BNP and BOGP (in this Agreement collectively called "**BNP**"), NOGL, MOEX and Long Flat (collectively referred to as the "**PIJV**") grants BP America Production Company ("**BP**") an option to acquire a working interest in the deep rights oil and gas exploration activities within the contract area. Deep Rights are defined to mean the rights within the Contract Area (being the area known as Phase 1 and Phase 2 which cover approximately two thirds of the whole lease area), to explore for and produce hydrocarbons

from any sand which is situated below 15,000 feet excluding hydrocarbons from sand located:

- (i) within the Southwest Bird Island Deep Prospect, the Valley Crest Prospect, the Manzano Deep Prospect, the Dunn/Murdock Deep Prospect if the top of such sand is situated at 16,500 feet or above;
- (ii) the West Chevron Prospect if the top of such sand is situated at 18,000 feet or above;
- (iii) the Home Run Prospect if the top of such sand is situated at 16,000 feet or above; and
- (iv) the Yarborough Pass Prospect if the top of such sand is situated at 17,500 feet or above.

### **("Deep Rights")**

#### *Term and Termination*

The Agreement commences on 10 March 2003 ("**Effective Date**") and terminates on the date which is the earlier of:

- (i) the Report and Election Date (defined as no later than 10 calendar months after Closing, which occurred on 20 March 2003) if BP fails to exercise the Deep Rights Option in a timely manner; or
- (ii) if BP exercises the Deep Rights Option, the date on which the last Deep Rights Lease in which BP and any party included within PIJV jointly own interests, terminates.

Upon termination all rights and obligations between the parties terminate except those accruing prior to the date of termination. If the Agreement terminates, BP is restricted from competing with the PIJV, either directly or indirectly, as to any rights within the Contract Area for a period of 2 years from the date of termination of this Agreement.

#### *Study Period*

During a 9 month period from Closing BP must conduct and complete an in depth analysis of the Deep Rights ("**Study**") and provide the PIJV with regular updates as to the progress of the Study. A representative of the PIJV may participate in the Study.

#### *Option Exercise*

On the Report and Election Date, BP must present the results of the Study and elect whether or not to exercise the Deep Rights option ("**Option**"). If BP exercises the Option it must identify each Deep Rights Prospect (being a prospect where the deepest objective zone is located in the Deep Rights) in which it wishes to participate and the minimum total of 20,000 mineral acres in Deep Rights Leases (being an undivided interest in the existing leases of the PIJV solely as to the Deep Rights as may be transferred by PIJV to BP) BP seeks to acquire. If the election to exercise is not made in a timely manner, BP will be deemed to have elected not to exercise the Option.

On exercise of the Option PIJV must deliver to BP assignments of all its working interest in the Deep Rights Leases identified by BP subject to the terms of the applicable leases; the permitted burdens (including royalties, overriding royalties etc) ("**Permitted Burdens**"); the Reversionary Interest in favour of PIJV (refer below); the PIJV Option (refer below) and the terms and conditions of this Agreement. BP must pay to the PIJV the sum of US\$200 per net mineral acre but reduced to the working interest to be acquired by BP (and less a credit given to BP of US\$2,000,000).

To the extent that BP exercises the Option, BP shall be the operator of the Deep Rights exploration activities. Each prospect for which BP acquires Deep Rights Leases shall be governed by a separate deep rights operating agreement in a form prescribed by this Agreement (and substantially the same as the model form agreement summaries in Section 8.2(h)).

The Agreement acknowledge that BNP will continue to act as operator for shallow rights exploration and the parties agree that the owners of the shallow rights and the owners of the deep rights shall work together to facilitate multiple use of facilities and seek equitable arrangements when feasible so that shallow rights well bores can be utilised for Deep Rights and vice versa. If the Deep Rights owners decide to discontinue operations plug and abandon Deep Rights well bores they shall first offer to assign the well bores to the shallow rights owners.

#### *PIJV Option*

The PIJV has the option, on a prospect-by-prospect basis, in respect of the Deep Rights Prospects (including Future Prospects) in respect of which activities are conducted by BP within the Contract Area, to retain a working interest in the Deep Rights attributable to the leases that BP acquires covering such prospects ("**PIJV Option**"). The working interest that can be retained is 10% in respect of Deep Rights Prospects having one or more objectives lying below 20,000 feet and 22% in respect of Deep Rights Prospects having all their objectives lying above 20,000 feet. The assignment by BP of the working interest to be retained by the PIJV if the PIJV Option is exercised, shall be subject to the PIJV paying its working interest share of the lease acquisition costs, to the Permitted Burdens and the execution of separate operating agreement. Under an Internal Agreement executed by the parties comprising the PIJV, it is agreed that NOGL and MOEX will have first entitlement to exercise the PIJV Option and that Long Flat and BNP will only be entitled to elect to participate in the PIJV Option to the extent it is not exercised by NOGL or MOEX.

#### *Reversionary Interest*

For each Deep Rights Prospect in which BP acquires a working interest (including Future Prospects), the PIJV retains a 25% reversionary interest after payout, being the time when revenues (less taxes) from the Deep Rights Prospect equal 100% of the costs of drilling, testing, completing and equipping the well, installation of gas pipeline, costs to deepen, plug back or rework during the payout period and actual operating costs during such period. The 25% interest is proportionately reduced for each prospect in respect of which the PIJV Option is exercised ("**Reversionary Interest**"). Under the Internal

Agreement the PIJV parties agree that the parties that exercise the PIJV will solely bear the reduction in the Reversionary Interests.

#### *Area of Mutual Interest*

The parties establish an area of mutual interest ("AMI") in respect of the Contract Area from the Effective Date until 31 January 2007. After that date the area contracts to cover only the area subject to an oil and gas lease, lease option agreement, farmin or similar exploration agreement in favour of one or more of the parties. A party who acquires an interest in the AMI must give written notice of the acquisition within 30 days. The other parties may elect to participate in the acquisition. If BP is the acquiring party it must offer the rights to the relevant area other than the Deep Rights to PIJV for 50% of the purchase price. If the acquiring party is the PIJV, BP shall have the option to purchase the Deep Rights for 50% of the purchase price. If BP does not exercise the Option the AMI terminates and the non-compete period (refer above) applies.

#### *Assignment*

A party may assign its interest in the Agreement with the prior written consent of the other parties, which is not to be unreasonably withheld. An assignment may be made to an affiliate without consent.

#### *Withdrawal*

If BP has not commenced operations for the drilling of at least one initial test well within the Contract Area on or before one year following the Report and Election Date or at any time following the Report and Election Date, elects to discontinue Deep Rights exploration activities, BP must assign all its right, title and interest in and to any leases owned by BP within the Contract Area to PIJV and fulfil any continuing obligations. The PIJV must then accept the withdrawal of BP and the agreement then terminates without prejudice to accrued obligations or liabilities.

### (c) ***Settlement Agreement dated 29 May 2003 and Related Documents***

#### *Background*

BNP, BOGP, NOGL, MOEX and Long Flat entered into this Agreement to record the terms on which they agree to settle a dispute between them in relation to the PIPOA. The Agreement provides for the conveyance of interests in areas and depths within the contract area governed by the PIPOA, the creation of new joint operating agreements in respect of the newly created areas, the settlement of amounts owed to the PIPOA and any amounts owed by BOGP and or BNP.

#### *Assignment of Interests*

Under this Agreement, BOGP assigns to NOGL its interest in the leases in the contract area from the surface of the earth to: a) the shallowest depth at which BP may acquire rights pursuant to the BP Participation Agreement (refer to Section 8.2(b)) above ("**BP Ceiling Depth**") with respect to the leases in which BP may earn an interest; or b) the centre of the earth with respect to the leases in which BP has no right to acquire rights. BOGP also assigns to NOGL

its interest in and to the Dunn/Murdock facilities and any related government permits and authorisations required to conduct operations.

This general assignment does not however apply to: a) the La Playa Pooled Unit or to the West Bird Pooled Unit (as to rights from the surface to 10,500 feet sub-surface) with the Parties agreeing to enter into new operating agreements at Closing for these units; or b) the Lemonseed Prospect in respect of the area from the surface to the BP Ceiling Depth with the Parties agreeing to enter into a new operating agreement at Closing for this prospect. These new agreements have been entered into and are referred to in Sections 8.2(i), 8.2(j) and 8.2(k) below.

In respect of the following prospects NOGL and/or MOEX (as the case requires) assign their interests, in respect of the depths specified, to BOGP and the parties agree to enter into a new operating agreement (based on a standard model, summarised below in Section 8.2(h)).

Jack Frost Prospect – surface of the earth to 10,500 feet sub-surface

Dunn Deep/El Mar – surface of the earth to 11,000 feet sub-surface

Peach – surface of the earth to 9,500 feet sub-surface

Lemon Prospect – surface of the earth to 9,500 feet sub-surface.

In relation to the DunnDeep/El Mar Prospect:

- (i) if NOGL, MOEX or Long Flat drill a well, then they must deliver to BNP a copy of all logs that pertain to the interval between the surface and 11,000 feet. If BNP or BOGP drill a well, then they must deliver to NOGL, MOEX and Long Flat, a copy of all logs obtained down to the deepest depth logged; and
- (ii) if NOGL, MOEX or Long Flat drill a well within this prospect, and then decide to abandon it, BNP and BOGP may acquire it for the following consideration: a) paying 80% of the actual drilling cost to the depth of 11,000 feet; b) assuming all obligations for abandonment/rehabilitation; and c) indemnifying NOGL, MOEX and Long Flat from any related claims irrespective of when such claims or causes of action occurred.

The parties also entered into a Stipulation of Interests and Cross Conveyance under which they effected the assignment of the various interests to one another to achieve the ownership of working interests contemplated by this Settlement Agreement.

#### *Lease Maintenance*

As at Closing, BNP is responsible for the administration of the La Playa and West Bird Prospects and NOGL is responsible for the remaining oil and gas interests. If ownership of a prospect is segregated based on a depth cut off, then the owners of the shallow portion must pay one half of the lease administration costs. If the owners of the deeper portion do not intend to pay their share of the

costs, BOGP has the option to pay such costs and by doing so acquire the interest in the deeper portion.

#### *PIPOA*

As at Closing, BNP and BOGP cease to be parties to the PIPOA, and none of the interests to be retained by or assigned to BOGP will be subject to the PIPOA. This is without prejudice to liabilities and obligations that have arisen prior to the Effective Date. NOGL is the successor operator under the PIPOA. If BP acquires any interest in the shallow rights of the contract area pursuant to the BP Participation Agreement (summarised above in Section 8.2(b)) then the parties participating in the shallow rights area agree to enter into a new joint operating agreement and if NOGL has a working interest in such area, then it will be the operator of that joint venture. If not, the decision will be by working interest majority vote and the party receiving the largest vote shall be operator.

#### *Financial Adjustments: PIPOA Expenses/Transfers of Operations*

The parties agree to pay their current participating interest shares of previously incurred PIPOA expenditures through to 30 April 2003. During the transition period, NOGL, MOEX and Long Flat must pay BNP \$30,800 per month as consideration for services by BNP associated with the transition of operations.

#### *Non Compete Areas*

From 30 April 2003 to 31 January 2007, and subject to their rights under the BP Participation Agreement and the Internal Agreement to participate in Deep Rights BOGP and BNP agree not to compete with NOGL, MOEX and Long Flat for any interest in the prescribed acreage as to those depths lying between the surface and the BP Ceiling Depth with respect to the acreage included within the boundaries of the BP Agreement and as to all depths with respect to the remainder of the contract area. The non compete restriction as to all depths does not apply to:

- (i) BOGP, BNP and their affiliates competing for depth below 9,500 sub-surface with respect to Laguna Madre State tracts 48, 149 and 150; and
- (ii) BOGP, BNP and their affiliates competing as to depths below 10,500 feet in Gulf of Mexico State Tract 922.

The non-complete provisions automatically terminate if each of NOGL, MOEX and Long Flat no longer hold any interest in the Contract Area.

#### *Non-Uniform Areas of Mutual Interest*

An area of mutual interest is established for each of the Dunn Deep/El Mar Prospect and the Peach Prospect for the period commencing on 30 April 2003 and ending on 31 January 2007. On 31 January 2007 each of the areas of mutual interest contract and cover only the acreage and depths then subject to an oil and gas lease or other similar agreement in favour of one of more of the parties. The area of mutual interest continues to contract in order to correspond with the termination of agreements and interests applicable to that area, except that the area of mutual interest only shrinks at surface level where the applicable agreements have terminated or expired with respect to 100% of the underlying minerals. The Agreement details the procedure the Parties must

follow if a Party acquires an interest in the area of mutual interest and the proportions in which the Parties may acquire an interest. The Parties expressly acknowledge that their rights under this clause are subject to the rights of BP under the BP Participation Agreement.

#### *Facilities Sharing*

The parties agree to co-ordinate the scheduling and operations within the areas of mutual interest to resolve any conflict. For a period of 4 years from the Effective Date, each party grants to each other party a right of priority to utilise any access or facilities with excess capacity on terms to be agreed and for a reasonable consideration. This does not prevent a party from committing excess capacity to another operator on an intermittent or permanent basis.

#### *Long Flat*

In consideration for the termination of the Option Exercise Agreement dated 1 July 2002 between BNP and Golden Gate Resources Ltd, Long Flat agrees:

- (i) to pay a 3.33% promote on each of the next seven initial test wells drilled in the contract area in which BOGP and Long Flat are both participants, having a paying working interest, drilled to logging point. This obligation does not apply to wells drilled by BP under the BP Participation Agreement in respect of which Long Flat is entitled to a Reversionary Interest. Failure to pay results in the forfeiture of Long Flat's interest in that prospect and any products derived from it;
- (ii) BOGP retains the overriding royalty interest, being the difference between the existing royalties at the time of assignment and 2.5%, burdening Long Flats' interest with respect to all leases and depths currently owned by any party and situated within the contract area and with respect to any leases acquired by BOGP within the contract area to the extent Long Flat elects to participate and then only as to those depths in which BOGP actually participates;
- (iii) to procure that GGR does not make a request for an advance under the Revolving Credit Agreement dated 31 August 2002 (summarised below in Section 8.2(f)) except to pay Padre Island well drilling costs with respect to a well in which BOGP is a participant who has a working interest; and
- (iv) section 4.7 of the Deed of Trust, Security Agreement, Assignment of Product and Financial Statement dated 31 August 2002 (summarised below in Section 8.2(g)) is void provided BOGP is entitled to receive 10% of any lease bonus consideration that Long Flat is entitled to receive under the BP Participation Agreement and 10% of the Reversionary Interest Long Flat is entitled to receive under the BP Participation Agreement.

In consideration for these mutual covenants, BOGP agrees to transfer to Long Flat an undivided 10% of 8/8ths working interest in the leases in which it has

an interest in the contract area, less and except those leases in which BOGP has already delivered transferred to GGR.

*Kemp's Ridley Prospect Area of Mutual Interest*

An area of mutual interest is established for the Kemp's Ridley Prospect and the parties hold their interest in it in the following proportions: BOGP 30%, NOGL 40%, MOEX 20% and Long Flat 10%. The obligations under this clause expire on 31 January 2007. The Agreement details the procedure the parties must follow if a party acquires an interest in this area of mutual interest and the proportions in which the parties may acquire an interest.

*Assignment*

This Agreement or any part of it may not be assigned without prior written consent of the other parties, except for assignment to affiliates.

*Seismic Joint Venture*

The parties agree to reorganise the Padre Island Seismic Joint Venture (summarised below in Section 8.2(d)) into a Texan limited partnership at or before Closing with NOGL as the general partner with the intent that parties having an interest in the contract area will have access to the seismic data. Long Flat's access to and use of the seismic data is restricted to one of the established offices of the joint venture.

*Mutual Release*

Other than as expressly provided in the agreement, the parties agree to release each other from all claims and causes of action and under specified agreements that the parties have entered into previously which regulated their prior participation in the contract area.

(d) ***Amended and Restated Seismic Licence Joint Venture Agreement dated 30 May 2001***

Under a Data Use Licence dated 9 March 2000, between BNP and Western Atlas International Inc ("**Data Use Licence**"), BNP has a licence to seismic data relating to Laguna Madre and other areas ("**Licence**"). The Data Use Licence provides that the Licence may be assigned by BNP provided a majority interest in the assignee is owned and controlled by BNP and the transferee is not comprised of persons actively engaged in the oil and gas industry.

This agreement records the assignment of the Licence to, and the terms of a joint venture between BNP and NOGL. The purpose of the joint venture is to take control of the seismic data and to preserve its use for the benefit of the joint venture, to acquire and use other seismic data and to exercise all rights and benefits under the Data Use Licence.

The Settlement Agreement (summarised above in Section 8.2(c)) provides that with effect from Closing this joint venture be reorganised into a Texas limited partnership with NOGL as the general partner.

(e) ***Gas Sales Contracts***

An agreement between BNP ("**Seller**") and Shoreline Gas Inc ("**Buyer**") dated 16 January 2002 records the terms for the sale of gas from the Seller to the Buyer produced from the La Playa leases.

Under the La Playa agreement the Seller agrees to commit 100% of the gas produced from the subject leases for sale to the Buyer. The term is 30 days and from month to month thereafter or as otherwise specified. The contract remains in effect until terminated by either party with at least 30 days prior written notice to the other party. There is no obligation under the agreements to buy or sell a minimum quantity of gas. Title to the gas passes at the delivery points.

The Buyer must pay the Seller 99% of the Buyer's resale price less applicable third party fees. The Seller agrees to provide monthly nominations to the Buyer and notification of any changes in actual deliveries. If the Seller fails to deliver quantities of gas equal to quantities nominated, resulting in imbalances, the Seller shall be solely responsible and liable for any costs, charges, cashouts, penalties or imbalance charges.

The contract price is determined according to gas delivered each month equal to 85% of the Houston Ship Channel Beaumont, Texas Index for large packages of gas as published in the first publication of the month in Inside FERC together with any and all costs and expenses of the Buyer attributable to the compression, dehydration, gathering, transporting and other post production operations necessary to treat and transport the gas for delivery into the Buyer's pipeline system. There are price calculation methods for varying volumes and for partial months.

Neither party can transfer the Agreement without the prior written approval of the other party, which may not be unreasonably withheld.

Liability is limited to direct actual damages only and all other remedies or damages at law or in equity are waived. Neither party is liable for consequential, incidental, punitive, exemplary, treble or indirect damages.

A similar agreement between BNP and Shoreline Gas Inc dated 23 January 2003 records the terms for the sale of gas from the Seller to the Buyer produced from West Bird. Under the West Bird agreement the volume sold is approximately 2,000 mmBtu per day or such other quantities as mutually agreed and the term of the agreement is 1 January 2003 to 31 December 2003 and month to month thereafter until terminated by either party with at least 30 days prior written notice to the other party..

(f) ***Revolving Credit Agreement dated 31 August 2002***

Under this Agreement BNP as lender agrees to advance to GGR in aggregate an amount not exceeding US\$1,531,598 from 31 August 2002 until 12 noon 31 August 2003. Repayments must be made monthly and the interest rate is the US prime rate plus 2%. If GGR fails to make a payment of principal or interest

when due, or fails to comply with any condition or an insolvency event occurs in relation to it, then BNP may deliver to GGR a termination notice and all advances, accrued interest and any other amounts become immediately due and payable to BNP. No party has the right to assign, pledge or otherwise transfer its rights and obligations under this Agreement. The loan repayment obligations are secured by the Deed of Trust (summarised below).

Under the Settlement Agreement Long Flat agrees to procure that GGR does not make a request for an advance under this Agreement except to pay Padre Island well drilling costs with respect to a well in which BOGP is a participant who has a working interest.

(g) ***Deed of Trust, Security Agreement, Assignment of Production and Financing Statement dated 31 August 2002***

This Deed is entered into between GGR as mortgagor BOGP as beneficiary as security for a loan provided by BNP to GGR referred to in the Revolving Credit Agreement dated 31 August 2002 (summarised above).

Under this Deed, Golden Gate gives as collateral: a) 3% of 8/8ths interest in land and to the oil and gas properties, all un-severed and un-extracted hydrocarbons in and under the oil and gas properties and all present and future oil and gas property realty, structures or improvements; b) a 3% interest in and to all non-fixture operating equipment, all hydrocarbons severed and extracted from the oil and gas properties and all present and future contracts relating to the oil and gas properties; and c) a 3% interest in and to all fixture operating equipment.

If Golden Gate fails to repay the principal or interest when due to BNP, is in material breach of any warranty given under his Agreement or otherwise fails to cure a default in the performance of this Agreement. BOGP is entitled to take possession of the collateral and is entitled to the hydrocarbons (and proceeds) from the oil and gas properties beginning at 12.01 am on the first day of the first calendar month following 31 August 2002. Once the expenses of the operations and the obligations have been paid, the properties will be returned to GGR (provided they have not been sold).

If GGR sells or grants security interests in or otherwise disposes of or encumbers any of the collateral or any of its right, title or interest therein without first obtaining BOGP's written consent, then BOGP may declare the entire secured indebtedness due and payable immediately. BOGP agrees to consent to a sale, farm-out, joint exploration agreement or other similar agreement involving the collateral, provided that any proceeds are first applied against any outstanding principal and interest balance under the Revolving Credit Agreement. In addition, BOGP is also entitled to 10% of any benefit received in addition to the obligation to repay the indebtedness.

This Agreement terminates when all obligations are paid in full by GGR and the covenants of the Deed are satisfied at which time the collateral returns to GGR.

(h) ***A.A.P.L. Form 610 – 1989 Model Form Operating Agreement***

*Background*

This Agreement sets out the terms on which the parties to it agree to explore and develop oil and gas leases and or oil and gas interests for the production of oil and gas.

*Interest and Liability of Parties*

All equipment and materials and production from the contract area (being the area to be developed under the Agreement) are owned by the Parties in proportion to their interest, as specified in an exhibit to the Agreement. The liability of the parties is several and not joint or collective and each party is only liable for its proportionate share of the costs of developing and operating the contract area. The parties are not in partnership, joint venture or an agency relationship with each other. However, each Party grants to the other Parties a lien upon any interest it owns presently or acquires in the future, in oil & gas interests and leases in the contract area and agrees to perfect the lien by entering into a financing statement in the form attached to the Agreement.

*Operator*

The operator has the exclusive charge and conduct of all operations on the contract area as permitted by the Agreement. The operator is not liable to the other parties for any damage, loss, cost, expense or liability resulting from performing (or failing to perform) the duties and functions of the operator, except where such loss arises from gross negligence or wilful misconduct. The Agreement contains detailed provisions dealing with the obligations of the operator, its removal, and the appointment of a successor.

*Operations*

Any party may propose an operation for the contract area by giving written notice to those parties who have not relinquished their interests. The other parties must elect within the specified period whether or not to participate. If all parties elect to participate, then the operator must commence the operation and the parties are contractually committed to participate in accordance with their interests. If less than all the parties elect to participate in a proposed operation, then the "consenting parties" may request the operator to conduct the proposed operations for their account, or themselves conduct the proposed operation.

No well may be drilled on the contract area until a title examination of the drillsite has been completed by an examining attorney and approved by a majority of the parties.

Where operations are conducted by less than all the parties, and the well is capable of producing oil and/or gas in paying quantities, the "non-consenting parties" relinquish their interest in the well and share of production from it until the proceeds of sale of such share or its market value equals the total of:

- (i) 200% of each non consenting party's share of the cost of any newly acquired surface equipment beyond the wellhead connections plus 100% of each non-consenting party's share of the operation costs of the

well commencing with first production and continuing until each non-consenting party's relinquished interest reverts to it, it being agreed that each non-consenting party's share of such costs be that interest which would have been chargeable had it participated from the beginning of the operations; and

- (ii) 500% of that portion of the costs of drilling, reworking, sidetracking, deepening, plugging back, testing, completing and recompleting after deducting any cash contributions received and of that portion of the cost of newly acquired equipment in the well (to an including the wellhead connections) which would have been chargeable to the non-consenting participant had it participated.

The operator must not undertake a single project estimated to cost in excess of US\$25,000 except in connection with the drilling, sidetracking, reworking, deepening, completing, re-completing, or plugging back a well, that has not been previously authorised. The operator must issue an authority for expenditure for single projects in excess of a prescribed amount.

The operator may demand and receive monthly in advance from the parties, payment of their respective proportionate shares of the estimated costs to be incurred in connection with any operations.

#### *Abandonment*

A decision to abandon any well must be consented to by all parties. A non-consenting party to abandonment of a dry hole may give notice to the operator and take over the well and conduct operations on the area. If it is a well that has produced, a party wishing to take over operations must be able to prove financial capability to conduct the operations.

#### *Surrender, Renewal and Extension*

A decision to surrender any lease must be consented to by all parties. The parties must be notified and may elect to participate in the ownership of a renewed or replacement lease.

#### *Assignment*

A party may only assign its entire interest in the oil and gas leases and its oil and gas interests or an equal undivided percent of its present interest in all oil and gas leases or oil and gas interests. Prior consent of the other parties is not required except that the other parties have to recognise the transfer 30 days after they have received a copy of the instrument of transfer. The transferor is not relieved of obligations incurred previously.

#### *Term*

The Agreement remains in full force and effect so long as any of the jointly owned oil & gas leases, which are subject to the Agreement, remain or are continued in force as to any part of the contract area, whether by production, extension, renewal or otherwise.

#### *Area of Mutual Interest*

The Agreement provides for an area of mutual interest which expires on 31 January 2007. On 31 January 2007 each of the areas of mutual interest contract and cover only the acreage and depths then subject to an oil and gas lease or other similar agreement in favour of one of more of the parties. The area of mutual interest continues to contract in order to correspond with the termination of agreements and interests applicable to that area, except that the area of mutual interest only shrinks at surface level where the applicable agreements have terminated or expired with respect to 100% of the underlying minerals. The Agreement details the procedure the parties must follow if a party acquires an interest in the area of mutual interest and the proportions in which the parties may acquire an interest.

#### *Gas Balancing Agreement*

Each party is entitled to take in kind and to dispose of its share of production. If a party fails to make its own arrangements, the operator has the right, but not the obligation to purchase or sell it for the account of the non-taking party. Any balancing or accounting required as a result of a party not taking its proportionate share during each month of production shall be in accordance with the gas balancing agreement which is attached to the Operating Agreement .

#### *Default*

The following remedies are available if a party defaults in performance of an obligation: suspension of rights; non-defaulting parties may sue the defaulting party; the defaulting party may be deemed to have elected not to participate in an operation; an advance payment may be required; the party may pay a disputed amount into a joint account until resolution of the disputed default; or the defaulting party may be obligated to pay costs and attorney fees.

#### *(i) La Playa Joint Operating Agreement*

With effect from 29 May 2003, BNP, NOGL, BOGP, MOEX, Long Flat, KCS and Larami Ltd entered into an Joint Operating Agreement in relation to the tracts of land known as the "La Playa Area" but only in relation to those rights lying between the surface and 10,500 feet sub-surface. The percentage participating interests of each of the parties are set out in the table appearing above and BNP is the operator of this agreement.

This Agreement is substantially in the form of the A.A.P.L. Form 610 – 1989 Model Form Operating Agreement, which is summarised above in section 8.2(h). This Agreement also includes some additional provisions governing joint accounting and reporting and a provision whereby the operator may be removed at any time by the majority vote of the parties other than the operator and any affiliates of the operator.

#### *(j) West Bird Joint Operating Agreement*

With effect from 29 May 2003, BNP, NOGL, BOGP, MOEX, Long Flat and Larami Ltd entered into an Joint Operating Agreement in relation to the tracts of land known as the "West Bird Pooled Unit" but only in relation to those rights lying between the surface and 10,500 feet sub-surface. The percentage

participating interests of each of the parties are set out in the table appearing above and BNP is the operator of this agreement.

This Agreement is substantially in the form of the A.A.P.L. Form 610 – 1989 Model Form Operating Agreement, which is summarised above in section 8.2(h). This Agreement also includes some additional provisions governing joint accounting and reporting and a provision whereby the operator may be removed at any time by the majority vote of the parties other than the operator and any affiliates of the operator.

(k) ***Lemonseed Joint Operating Agreement***

With effect from 25 June 2003, NOGL, BOGP, MOEX and Long Flat entered into a Joint Operating Agreement in relation to the tracts of land known as the "Lemonseed Prospect" but only in relation to those rights lying between the surface and 15,000 feet sub-surface except for the depths from the surface and 9,100 sub-surface in certain specified areas. The percentage participating interests of each of the parties are set out in the table appearing above and NOGL is the operator of this agreement.

This Agreement is substantially in the form of the A.A.P.L. Form 610 – 1989 Model Form Operating Agreement, which is summarised above in section 8.2(h). However, this Agreement provides that a well may only be proposed after the expiration of 3 months from the date of the agreement and from then until the first anniversary of the agreement, a well may be proposed only by 2 or more parties owning at least 60% of the working interest in the contract area. After one year, any party may propose a well.

(l) ***Jack Frost Participation Agreement and Joint Operating Agreement***

BOGP and Long Flat entered into this Participation Agreement effective from 18 July 2003. Under this Agreement, BOGP agreed to sell to Long Flat a 10% leasehold and working interest in the land and leases comprising the Jack Frost prospect. In consideration, Long Flat agreed to pay to BOGP a cash payment of \$21,137.70 at closing, occurred on 25 July 2003. The parties also entered into a joint operating agreement in relation to this prospect in the form of the A.A.P.L. Form 610 – 1989 Model Form Operating Agreement, which is summarised above in section 8.2(h).

In addition to the cash payment, Long Flat agreed to pay, at least three days before the well is spudded, 13.33% of the estimated costs of drilling the initial test well to the first logging point, being a vertical depth of 7,500 feet subsurface or a depth sufficient to test the Marg Frio formation, whichever is the lesser.

Based on the results of the logging upon reaching the first logging point BOGP shall either propose to continue drilling to 9,500 feet in order to test the Cib Haz formation (Second Logging Point) or propose to plug and abandon the well. If BOGP elects to continue drilling and Long Flat elects to participate in the continued drilling it shall bear 13.33% of the costs of drilling the initial

well to the Second Logging Point. If Long Flat does not elect to continue it shall forfeit any interest in the Jack Frost prospect below the first logging point.

In the event the actual costs for drilling to the first logging point or the Second Logging Point exceed 125% of the estimated expenditure, Long Flat's contribution reduces to 10% for all cost in excess of that 125%.

If prior to reaching the contracted depth any conditions preclude further drilling using normal economic and prudent procedures the parties will have the option to drill a substitute well at an agreed location.

After the Second Logging Point in the initial well and for all future operation on the Jack Frost prospect, Long Flat will be required to bear 10% of the costs in accordance with the joint operating agreement.

### 8.3 Other Assets

#### (a) Australian Oil and Gas Assets

The Company, via its subsidiary Frontier Bonaparte Pty Ltd, has interests in the following oil and gas permits in Australia:

Permit/Lease	State/Territory	Company's Interest	Operator
NT/RL3 Retention License	Northern Territory	5.0%	OMV Timor Sea Pty Ltd
WA-13-R Retention Lease	Western Australia	5.9%	OMV Petroleum Pty Ltd
NT/RL1 Retention License	Northern Territory	15.0%	Amity Oil Limited
EP386 Exploration Permit	Western Australia	Earning 15.0%	Amity Oil Limited

Over the past two years the three retention leases have been the subject of ongoing technical and commercial evaluation the results of which have led the Company to conclude that they are unlikely to be commercial in the medium term. The Directors intend to review these assets and in all probability will either dispose of or withdraw from these permits. The one exploration permit will also be reviewed after interpretation of recent seismic and depending on the results of the interpretation may also be disposed of.

The disposal or withdrawal from these assets would result in a write off of their carrying, which as at 31 March 2003, was approximately A\$734,390.

#### (b) Australian Base Metals Assets

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. Therefore, as the Company is now focussed on the PI Project, the Company intends to sell its residual base metals mining assets.

The Company is currently conducting negotiations with various interested parties. The Company expects to complete the disposal of these assets by September 2003 and to receive aggregate consideration in the vicinity of \$250,000. Any tenements or applications for tenements which the Company can not dispose of will be relinquished or withdrawn.

## **Section 9      ADDITIONAL INFORMATION**

### **9.1      Incorporation and Listing**

The Company was incorporated on 21 October 1999 in Australia as Country Downs Pty Ltd. On 3 August 2000 the Company changed its name to Valdera Resources Pty Ltd and on 15 September 2000 the Company converted to a public company. The Company was admitted to quotation on ASX on 10 May 2002.

On 30 June 2003 the Company merged with GGR, a company incorporated in the Yukon Territory Canada, and changed its name to Golden Gate Petroleum Limited. Upon completion of the merger, the Company became the registered holder of all of the issued and outstanding common shares in the capital of GGR. As part of the merger arrangement, the Company consolidated all of its issued fully paid ordinary shares on the basis that every 2.6 shares was consolidated into one (1) fully paid ordinary share (and fractions were cancelled). The Company's Existing Options on issue were also consolidated, in the manner required by the Listing Rules.

### **9.2      Company Tax Status and Financial Year**

The Directors expect the Company will be taxed in Australia as a public company.

The financial year of the Company ends on 30 June annually.

### **9.3      Dividend Policy**

The Company has not declared a dividend for the year ending 30 June 2003 and does not intend to pay dividends on Shares for the year ending 30 June 2004.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements, general business and other factors considered relevant by the Directors. No assurances in relation to the payment of dividends, or the franking credits attached to such dividends, can be given.

### **9.4      Legal Proceedings**

The Directors are not aware of any litigation of a material nature pending or threatened which may significantly affect the Company.

### **9.5      Rights Attaching to Shares**

The rights attaching to Shares in the Company are:

- (a) detailed in the Constitution of the Company, a copy of which is available for inspection, free of charge, during normal business hours at the registered business office of the Company; and
- (b) regulated by the Corporations Act, the Listing Rules of the ASX, the SCH Business Rules and the general law.

The following is a summary of the more significant rights of the holders of Shares in the Company. This summary is not exhaustive and does not constitute a definitive statement of the rights of shareholders. To obtain such a statement, persons should seek independent legal advice.

### **Voting**

No person is entitled to vote unless the person is a Member and present in person or by proxy or attorney or is the representative of a body corporate which is a Member. Subject to the rights or restrictions attached to any class or classes of Shares, on a show of hands every Member present in person or by proxy has 1 vote. On a poll every Member present has 1 vote for each fully paid Share and a fraction of a vote for each partly paid Share held by the Member in the Company.

A poll may be demanded by the chairperson of the meeting, by any 5 Shareholders present having the right to vote at the meeting, or by a Shareholder or Shareholders with at least 10% of the votes that may be cast on the resolution on a poll, or by a Shareholder or Shareholders holding Shares in the Company conferring a right to vote at the meeting, being Shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all the Shares conferring that right.

### **Dividends**

The Directors may from time to time declare and pay to the Members such dividends as appear to the Directors to be justified by the profits of the Company.

The Directors may determine that a dividend is payable without a general meeting of the Company and may fix, the amount of payment, the time for payment and the method of payment.

### **Transfer of Shares**

Except where required or permitted by the law, the Listing Rules, the SCH Business Rules or this Constitution, there is no restriction on the transfer of Shares. The Company and the Directors must not in any way prevent, delay or interfere with the generation of a proper SCH transfer or the registration of a paper-based transfer in registrable form of any securities except under specific circumstances set out in section 30.1 and section 33 of the Company's constitution .

### **Meetings and Notice**

Each Shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution of the Company, the Corporations Act or the ASX Listing Rules.

### **Liquidation Rights**

If the Company is wound up and the liabilities of the Company are satisfied, the liquidator may, with the sanction of a special resolution of the Company, divide among the Shareholders the whole or any part of the assets of the Company and may

set the value the liquidator considers fair upon any assets to be divided and may, subject to the Corporations Act and the Listing Rules, determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the sanction of a special resolution, vest the whole or any part of the assets of the Company in trust for the benefit of the Shareholders as the liquidator thinks fit, but so that no Shareholder can be compelled to accept any Shares or other securities on which there is any liability.

### **Issues of Further Shares**

The Directors may, on behalf of the Company, grant options over or otherwise dispose of unissued Shares to any person on the terms, with the rights, and at the time that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the ASX Listing Rules, the Corporations Act and any rights for the time being attached to the Shares in any special class of those Shares.

### **Partly paid Shares**

The Directors may, subject to compliance with the Company's constitution, the Corporations Act and the ASX Listing Rules, issue partly paid Shares upon which there are outstanding amounts payable. These Shares will have limited rights to vote and receive dividends.

### **Alteration to the Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

### **ASX Listing Rules**

The Company will apply to be admitted to the Official List of the ASX. Therefore, despite anything in the Constitution of the Company, if the ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

## **9.6 Terms and Conditions of Existing Options and New Options**

The terms and conditions of the Existing Options on issue and the terms and conditions of the New Options are as follows:

- A holding statement will be issued for the Options.

- The Options shall expire at 5pm on 31 December 2006 ("**Expiry Date**").
- 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**").
- The option holder may exercise Options any time prior to the Expiry Date.
- Shares allotted to option holders on exercise of Options shall be issued at 65 cents each ("**Exercise Price**").
- The Exercise Price shall be payable in full on exercise of the Options.
- 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:
  - exercise all or a specified number of Options; and
  - 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.

- The Company shall allot the resultant Shares and deliver the holding statement within five business days of the exercise of the Option.
- 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.
- The Options shall be freely transferable.
- 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.
- 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.
- 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.
- 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.

In relation to the Existing Options, these terms reflect the consolidation of the Company's capital on a 1 for 2.6 basis that was approved by the shareholders at the meeting of the Company on 16 May 2003 and was effected on 11 July 2003.

## 9.7 Terms and Conditions of Merger Options

As part of the merger arrangements with GGR, the Company issued the following Merger Options:

Number	Exercise Price	Expiry Date
11,000,000	30 cents	3 years after their date of issue
960,000	20 cents	31 May 2006
800,000	44 cents	18 February 2007

The terms and conditions of the Merger Options are as follows:

- The Merger Options will expire on their respective expiry dates noted above ("**Expiry Date**").
- The exercise price of each Merger Option is the exercise price respectively noted above ("**Exercise Price**").
- Each Merger Option exercised will entitle the holder to one Share in the capital of the Company.
- The Merger 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.
- The Company will provide to each optionholder a notice that is to be completed when exercising the Merger Options ("**Notice of Exercise**"). Merger 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 Merger 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.
- All Shares issued upon exercise of the options will rank pari passu in all respects with the Company's then existing Shares.
- 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.

- 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.
- 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.
- Merger Options are transferable, subject to the requirements of the Listing Rules of ASX concerning any options classified as restricted securities.
- Shares allotted and issued pursuant to the exercise of a Merger Option will be allotted and issued not more than 15 Business Days after the receipt of a properly executed notice of exercise of the Merger 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 Merger Options, in accordance with the Listing Rules.
- Application will not be made for Official Quotation of the Merger Options on ASX.

## 9.8 **Directors' Interests**

Except as disclosed in this Prospectus, no Director holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, Shares or otherwise) have been paid or agreed to be paid to any Director to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Offer.

### ***Shareholding Qualifications***

The Directors are not required to hold any shares in the Company under the constitution of the Company.

### ***Directors' Holdings***

Set out in the table below are details of Directors' relevant interests in the securities of the Company as at the date of this Prospectus:

<b>Director</b>	<b>No. of Shares Held Directly</b>	<b>No. of Shares Held Indirectly</b>	<b>No. of Options Held Directly</b>	<b>No. of Options Held Indirectly</b>
Craig Burton		1,532,373 <sup>(a)</sup>		76,923 <sup>(a)</sup>
Sam Russotti	430,088 <sup>(b)</sup>	Nil	1,660,000 <sup>(c)</sup>	Nil
Frank Petruzzelli	Nil	51,520 <sup>(d)</sup>	480,000 <sup>(e)</sup>	Nil

*Notes:*

- (a) 1,016,346 Shares are held by Sampala Investments Pty Ltd, 362,181 Shares are held by The Burton Super Fund, 153,846 Shares held by Sequentes Pty Ltd and the 76,923 options are Existing Options and are held by Sampala Investments Pty Ltd, all being entities controlled by Mr Burton.
- (b) 358,888 of these Shares are held by Mr Russotti on behalf of other people and are not beneficially owned by Mr Russotti.
- (c) 480,000 of these options are Merger Options exercisable at 20 cents on or before 31 May 2006, 480,000 of them are Merger Options exercisable at 44 cents on or before 18 February 2007 and the remaining 700,000 are Merger Options exercisable at 30 cents on or before 3 years after the date of their issue.
- (d) These Shares are held by the F& A Petruzzelli Super Fund.
- (e) These options are Merger Options exercisable at 20 cents on or before 31 May 2006.

The Directors will not be entitled to participate in the Offer pursuant to this Prospectus.

### ***Remuneration of Directors***

The Constitution provides that the remuneration of the non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting of its shareholders (currently \$100,000 per annum).

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

A Director may also receive remuneration for serving the Company in another capacity.

Salaries and wages for ongoing work performed by Mr Russotti as an executive Director will be determined by the Board following the Company receiving Official Quotation of its Shares by ASX. It is proposed that Mr Russotti will receive remuneration similar to his previous arrangement with GGR, namely a salary totalling \$39,900 per year plus superannuation, use of a company vehicle and reimbursement for expenses he incurs on Company business.

### ***Other Interests***

The Company has entered or will shortly be entering into Deeds of Insurance, Indemnity and Access with each of the Directors under which the Company agrees to indemnify the Directors against certain liabilities incurred by the Directors while acting as Director of the Company, to insure the Directors against certain risks to which the Directors are exposed to as a Director of the Company and to grant to the Director a right of access to certain records of the Company for a period up to 7 years after the Director ceases to be a Director.

Pursuant to an agreement between the company and Sequentes Pty Ltd prior to the merger with GGR Mr Burton was entitled to \$90,000 per annum for his services to the company as an executive director. Under this arrangement Mr Burton received or is owed a total of \$191,482 in the last 2 years (approximately \$30,000 of which is for reimbursement of office costs).

Mr Petruzzelli has received directors fees for his role as a director of GGR and payments for other services to GGR totalling approximately \$56,635 over the last two years. Mr Russotti received directors fees and/or salary for his role as a director of GGR totalling approximately \$79,000 over the last two years.

## **9.9 Interests of Named Persons**

Except as disclosed in this Prospectus, no promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus holds, or during the last two years has held, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts of any kind (whether in cash, securities or otherwise) have been paid or agreed to be paid to a promoter or any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Blakiston & Crabb have acted as solicitors to the Offer and in that capacity have been involved in undertaking due diligence enquiries in relation to the legal matters and providing legal advice to the Company in relation to the Offer. The Company will pay approximately \$5,000 (plus GST) to Blakiston & Crabb for these services. Blakiston & Crabb have provided other professional services to the Company during the last two years for which the Company will pay fees totalling approximately \$145,000.

Langusch & Associates have prepared the Independent Technical Report on the Padre Island Project included in Section 3. In respect of this work the Company has agreed to pay approximately \$400 for these services of updating that report for this Prospectus. Langusch & Associates have provided other professional services to the Company during the last two years for which the Company will pay fees totalling approximately \$9,300.

The amounts disclosed above are exclusive of any amount of goods and services tax payable by the Company in respect of those amounts.

#### 9.10 **Consents**

Each of the parties referred to in this Section 9.10:

- (a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Langusch & Associates have given their written consent to the inclusion in this Prospectus of its Independent Technical Report, and all statements referring to that Report or matters derived from that Report, in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with the ASIC:

- (a) Blakiston & Crabb as solicitors to the Company;
- (b) Langusch & Associates as Independent Energy Consultant; and
- (c) Computershare Investor Services Pty Ltd as share registry for the Company.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

## 9.11 **Costs of the Offer**

The total estimated costs of the Offer, including legal fees incurred, registration fees, underwriting fees, fees for other advisers, prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately \$40,000 on the maximum (exclusive of any goods and services tax which may be payable on that amount).

## 9.12 **Electronic Prospectus**

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the *Corporations Act* to allow distribution of an Electronic Prospectus on the basis of a paper Prospectus lodged with the ASIC and the issue of Shares and Options in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an Electronic Prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at [admin@ggpl.com.au](mailto:admin@ggpl.com.au) and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept a Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such a case, the Application moneys received will be dealt with in accordance with Section 722 of the *Corporations Act*.

## Section 10 DIRECTORS' RESPONSIBILITY STATEMENT AND CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 11 August 2003



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Signed for and on behalf of  
Golden Gate Petroleum Limited  
by Craig Burton, Director

## **Section 11    DEFINED TERMS**

The following definitions apply throughout this document unless the context requires otherwise.

<b>Applicant(s)</b>	Person(s) who submit a valid Application Form pursuant to this Prospectus.
<b>Application</b>	A valid application made to subscribe for a specified number of Shares and attaching New Options pursuant to this Prospectus.
<b>Application Form</b>	The application which is either attached to or accompanies this Prospectus.
<b>Application Monies</b>	Application monies for Shares and attaching New Options received by the Company.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	Australian Stock Exchange Limited ACN 008 624 691.
<b>bcf</b>	Billion cubic feet (of gas) and <b>bcf/day</b> or <b>bcf/d</b> means billion cubic feet per day.
<b>BNP</b>	BNP Petroleum Corporation and/or BNP Oil & Gas Properties Ltd.
<b>Board</b>	The board of Directors.
<b>BP</b>	BP America Production Company.
<b>Business Day</b>	A day that is not a Saturday, a Sunday or a public holiday or bank holiday in Western Australia.
<b>Company or Golden Gate</b>	Golden Gate Petroleum Limited ABN 34 090 074 785.
<b>Constitution</b>	Constitution of the Company.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>Directors</b>	The Directors of the Company.
<b>Electronic Prospectus</b>	An electronic version of this Prospectus.
<b>EMV</b>	Expected Monetary Value, an exploration valuation tool which expresses the risked value of success minus the risked value of failure.
<b>Existing Option</b>	An option to acquire one Share which is currently on issue and the terms and conditions of which are set out in Section 9.6.

<b>Exposure Period</b>	The period of 7 days (or such longer period as ASIC may direct, up to 14 days), from the date of lodgement of the Prospectus at the ASIC.
<b>GGR</b>	Golden Gate Resources Limited, a company incorporated pursuant to the laws of the Yukon Territory, Canada.
<b>GST</b>	Goods and services tax.
<b>KCS</b>	KCS Resources Inc.
<b>Langusch &amp; Associates</b>	Langusch & Associates Pty Ltd ACN 099 069 575.
<b>Listing Rules</b>	The official listing rules of ASX.
<b>Long Flat</b>	Long Flat Limited, a company incorporated in Texas, USA.
<b>mcf</b>	Thousand cubic feet (of gas) and <b>mcf/day</b> or <b>mcf/d</b> means thousand cubic feet per day.
<b>Merger Option</b>	An option to acquire one Share issued as part of the arrangements for the merger with Golden Gate on the terms and conditions set out in Section 9.7.
<b>Mitsui</b>	MOEX Texas Oil & Gas LP, a subsidiary of Mitsui Corporation.
<b>mmcf</b>	Million cubic feet (of gas) and <b>mmcf/day</b> or <b>mmcf/d</b> means million cubic feet per day.
<b>mmBtu</b>	Million British thermal units (of gas); 1mmBtu (an energy measurement) equals 1 mcf (volume) for pricing purposes.
<b>New Option</b>	An option to acquire one Share issued pursuant to this Prospectus on the terms and conditions set out in Section 9.6.
<b>Novus</b>	Novtex Oil & gas Limited, a subsidiary of Novus Petroleum Limited.
<b>Offer</b>	The offer of up to 2,500,000 Shares at 20 cents each together with one attaching New Option granted free for every Share issued at an exercise price of 65 cents and with an expiry date of 31 December 2006, to raise up to \$500,000.
<b>Official List</b>	The official list of ASX.
<b>Official Quotation</b>	Quotation of securities on the Official List.

<b>P10 Reserves</b>	Indicates an estimate of reserves for which there is at least a 10% probability that the quantities actually recovered will equal or exceed the sum estimated.
<b>P50 Reserves</b>	Indicates an estimate of reserves for which there is at least a 50% probability that the quantities actually recovered will equal or exceed the sum estimated.
<b>P90 Reserves</b>	Indicates an estimate of reserves for which there is at least a 90% probability that the quantities actually recovered will equal or exceed the sum estimated.
<b>PI Project</b>	The Padre Island project referred to in Section 2.2 formed pursuant to the agreements referred to in Section 8.2.
<b>Prospectus</b>	This Prospectus and includes the Electronic Prospectus.
<b>SCH Business Rules</b>	The same meaning as in the Corporations Act.
<b>Section</b>	A section of this Prospectus.
<b>Share(s)</b>	Fully paid ordinary share(s) in the Company.
<b>Shareholder(s)</b>	The registered holder of Shares in the Company as registered by the Company's share registry.
<b>tcf</b>	Trillion cubic feet (of gas) and <b>tcf/day</b> or <b>tcf/d</b> means trillion cubic feet per day.
<b>WST</b>	Western Standard Time, being the time in Perth, Western Australia.



## Guide to Golden Gate Petroleum Limited Application Form

This Application Form relates to the Offer of up to 2,500,000 Shares in Golden Gate Petroleum Limited at \$0.20 per Share pursuant to the Prospectus dated 11 August 2003. If you are allotted and issued Shares pursuant to the Offer, you will also be allotted and issued New Options. The New Options will be issued on the basis of one New Option for every Share allotted and issued. The expiry date of the Prospectus is the date which is 13 months after the date of the Prospectus. The Prospectus contains information about investing in the Shares of the Company and it is advisable to read this document before applying for Shares. A person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary prospectus (if applicable), and an Application Form, on request and without charge.

Please complete all relevant sections of the Application Form using BLOCK LETTERS. These instructions are cross referenced to each section of the Application Form. Further particulars and the correct forms of registrable titles to use on the Application Form are contained below.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 2,500 Shares.
- B** Insert the relevant amount of Application Monies. To calculate your Application monies, multiply the number of Shares applied for by the sum of \$0.20.
- C** Write the full name you wish to appear on the statement of holdings. This must be either your own name or the name of the company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applicants using the wrong form of title may be rejected. Clearing House Electronic Sub-Register System (CHES) participants should complete their name and address in the same format as that are presently registered in the CHES system.
- D** Enter your Tax File Number (TFN) or exemption category. Where applicable, please enter the TFN for each joint Applicant. Collection of TFN(s) is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application.
- E** Please enter your postal address for all correspondence. All communications to you from the share registry will be mailed to the person(s) and address as shown. For Joint Applicants, only one address can be entered.
- F** Please enter your telephone number(s), area code, email address and contact name in case we need to contact you in relation to your Application.
- G** The Company will apply to ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited.  
If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold securities allotted to you under this Application in uncertificated form on the CHES subregister, complete Section G or forward your Application Form to your sponsoring participant for completion of this section prior to lodgement. Otherwise, leave Section G blank and on allotment, you will be sponsored by the Company and an SRN will be allocated to you. For further information refer to Section 4.13 of the Prospectus.
- H** Please complete cheque details as requested:  
Make your cheque payable to "**Golden Gate Petroleum Limited – Share Account**" in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank. The amount should agree with the amount shown in Section B. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- I** Before completing the Application Form the Applicant(s) should read the Prospectus to which the Application relates. By lodging the Application Form, the Applicant(s) agrees that this Application is for Shares in the Company upon and subject to the terms of this Prospectus, agrees to take any number of Shares equal to or less than the number of Shares indicated in Section A that may be allotted to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

### Correct form of Registrable Title

Note that only legal entities are allowed to hold Shares. Applications must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable title may be included by way of an account designation if completed exactly as described in the example of correct forms of registrable title below:

Type of investor	Correct form of Registrable Title	Incorrect form of Registrable Title
<b>Individual</b> Use names in full, no initials	Mr John Alfred Smith	JA Smith
<b>Minor</b> (a person under the age of 18) Use the name of a responsible adult, do not use the name of a minor.	John Alfred Smith <Peter Smith>	Peter Smith
<b>Company</b> Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trusts</b> Use trustee(s) personal name(s), do not use the name of the trust	Mrs Sue Smith <Sue Smith Family A/C>	Sue Smith Family Trust
<b>Deceased Estates</b> Use executor(s) personal name(s), do not use the name of the deceased	Ms Jane Smith <Est John Smith A/C>	Estate of late John Smith
<b>Partnerships</b> Use partners personal names, do not use the name of the partnership	Mr John Smith and Mr Michael Smith <John Smith and Son A/C>	John Smith and Son

### Lodgment of Applications

Return your completed Application Form with cheque(s) attached to:

<b>Golden Gate Resources Limited</b> C/- Siafu Securities Pty Limited GPO Box 2553 Perth WA 6001	OR	<b>Golden Gate Resources Limited</b> C/- Siafu Securities Pty Limited Level 29, Allendale Square 77 St George's Terrace PERTH WA 6000
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**Application Forms must be received no later than 5.00 pm WST time on 19 August 2003.**