



GOLDEN STATE RESOURCES LIMITED

2010 FOURTH QUARTER RESULTS

HIGHLIGHTS

- Golden Eagle gas field is moving towards production
 - Paradox Basin #3 was stimulated and tested
 - Paradox Basin #1 and 3 have been successfully completed as production wells
 - Johnston Range royalty agreement finalised
 - Company received an offer for GDN Stake in White Canyon
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GOLDEN EAGLE OIL & GAS PROJECT, GRAND COUNTY, UTAH

The past quarter has seen great progress on the appraisal of Golden Eagle gas field. Golden State is making preparations for gas production in the foreseeable future. Feasibility studies have commenced and the company is concurrently working on the design and implementation of a production facility on the Golden Eagle gas field. The plant will establish a cash flow from the existing productive wells, and will be an initial step towards a full field development.

During the quarter Paradox Basin #3 was completed and fracture stimulated. After clean-up operations the well was production tested and is currently suspended as a gas producer. Paradox Basin #3 is the most successful well on the field to date.

There was also good news from the Paradox Basin #1 well. The planned work-over and side track were indefinitely postponed after the company noticed a decrease in the water production during blow-down operations at the commencement of the work-over. Paradox Basin #1 was subjected to a series of short flows and shut-in periods designed to maximise the clean-up and conditioning of the well. Paradox Basin #1 is now suspended as a production well.

The company continues to improve its operational capacity. Testing results confirm the company's strategy to target the Ismay Formation production and to refine the drilling completion and stimulation practices.

The final agreement on the Johnson Range royalty was concluded on April 29 and Golden State has received full payment. Golden State is monitoring developments on the Yilgarn Iron Ore project.

The board has received an offer from Allegra Capital Pty Ltd for the purchase of GDN's stake in White Canyon Uranium.

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Moving Towards Production

A production plant is planned for the Golden Eagle gas field. The company is confident of moving to production on the basis of the capacity of the existing wells. The plant will process gas from Paradox Basin #1 and #3 which will be delivered into the Williams gas pipeline. Our US landman is currently working on converting the existing water right of way to a gas right of way to tie into the Williams line. Simultaneously investigations are underway into development options including utilising a gas gatherer to independently supply, build and operate a production facility or potentially owning and operating our own facility. The first firm development proposal from an independent gas gatherer is expected in August. At this stage the longest lead time item appears to be the establishment of a tap point and installation of metering into the Williams pipeline. Williams gas pipelines have initially responded that the tap could be established early in 2011.

The Golden Eagle field is currently capable of producing approximately 1 million cubic feet of gas per day from the combined capacity of Paradox Basin #1 and #3. The gas is dry and sweet and requires minimal processing to meet the pipe specification. Golden State believes the production rates can be increased by implementing larger stimulations of the existing productive intervals. The existing stimulations on Paradox Basin #1 or 3 are much smaller than originally intended and both wells need further stimulation. In addition productivity would likely increase by completing the wells over several intervals and comingling the production. At current gas prices the company is targeting production rates above 2 million cubic feet per day per well for production wells.

Paradox Basin #1

Paradox Basin #1 is shut-in as a producer. A significant increase in gas production and a decline in the co-production of water was noted during blow down operations during preparations for the planned work-over and sidetrack. The work-over was suspended and instead an extended clean-up and production test operation was initiated. Paradox Basin #1 was flow tested and conditioned over a period of 26 days. During that time the co-production of water continued to decline and gas production achieved a steady plateau of approximately 500,000 cubic feet per day. Paradox Basin #1 is capable of gas production in its current condition. The well would benefit from a more substantial stimulation and pending a full analysis of the testing the company will review the potential to work-over and re-stimulate the Ismay Formation.

Production data from Paradox Basin #1 will be sent to RPS Energy to be fully evaluated. The study will forecast the wells likely production profile as part of the pre development economic modelling.

Paradox Basin #2

Paradox Basin #2 demonstrated gas flows from the Ismay Formation at up to 1.6 million cubic feet per day. Paradox Basin # 2 is currently suspended. No immediate work is planned on the well. Recompleting the Ismay Formation or deepening the well to the Leadville Limestone are being considered. Paradox Basin #2 has a failed cement job which has resulted in the fracture stimulation placing in a water zone some 300 feet above the Ismay Formation gas.

Paradox Basin #3

Paradox Basin #3 was successfully drilled during the January to March quarter and reached a total depth of 11,847' (3611m) in the Pennsylvanian Akah Formation on March 31. The rig was released on April 14 after setting casing. Paradox Basin #3 specifically targeted production from Pennsylvanian gas objectives. The well design has proved effective in overcoming several issues that were associated with the design of the previous deeper wells. The overall well costs were reduced considerably and there is scope for further improvement.

Paradox Basin #3 encountered six significant intervals with gas shows during drilling. Independent evaluation of wireline logs by RPS Energy in Dallas indicates total gas pay of 116'.

Petrophysical Interpretation				
Zone	Interval (ft)	Net Pay (ft)	Shows (Units)	Comments
1	10,686-10,746	10	548	
2	10,916-10,950	23	777	Zone 2 shows permeability sweet spot on NMR
3	11,012-11,070	3	759	Zone 3 has major fracture present
4	11,366-11,456	30	270	High Permeability on NMR corresponds to the show. Large natural fracture on FMI
4a	11,541-11'608	37	52	Permeability sweet spots on NMR
5	11,684-11,698	3	416	Good Perm on NMR
5a	11,716-11,736	10	121	Thin bed pay
6	11,762-11781	2+	3099	NMR indicates high permeability gas zone Corresponds to show. Lacks full log coverage
Total		116		

A completion rig was moved to the location in late April and Paradox Basin #3 was perforated on 1 May over the interval 11,674' to 11,790' covering zones 5, 5a and 6. A Diagnostic Formation Inflow Test (DFIT) was then conducted. The DFIT is used to establish formation parameters for the design of the fracture stimulation. A 120,000 pound fracture stimulation was planned based on the recommendations of Halliburton.

The fracture stimulation was conducted on 18 May. It was only partially successful with only 32,000 pounds of the intended 120,000 pound stimulation entering the formation due to bridging of the proppant across the perforations approximately half way through the pumping schedule. A coil tubing unit cleared the well before testing commenced on 28 May. The well was initially produced through the 5" casing at an average rate of 900,000 cubic feet per day with a peak rate of 2.295 Million cubic feet per day.

Production tubing was set on June 25 and further clean-up and testing operations commenced. On conclusion of the clean-up flows Paradox Basin #3 stabilised at a flow rate of approximately 500,000 cubic feet of gas per day. In total 9.6 million cubic feet of gas was produced during the clean-up and testing operations.

After completing the flow tests Paradox Basin #3 was shut-in for a long term build-up with down-hole gauges. The gauges will remain in the well until August 3. The last measured well head pressure on July 22 was 3600 psi at which stage the pressure was still increasing by 25 psi per day. The high wellhead pressure indicates that the reservoir is approaching the virgin reservoir pressure. The preliminary interpretation is that Paradox Basin #3 would benefit from a larger fracture stimulation, probably of the size originally intended. Data from all the testing and gauges will be sent to RPS-Energy for full evaluation.

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Production Testing on Paradox Basin #3



Production Testing On Paradox Basin #3

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Monument work-over rig on Paradox Basin #3 (Note Paradox Basin #1 wellhead in cage)

JOHNSTON RANGE IRON ORE PROJECT WESTERN AUSTRALIA

Golden State Resources Limited entered into an agreement with Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs") to sell all of its right, title and interest in the Johnson Range Iron Ore Project ("Johnson Range") in the Yilgarn region of Western Australia.

The final agreement was concluded on April 29 and Golden State has received full payment. Cliffs paid Golden State A\$3Million, by way of a non-refundable prepayment on future royalty payments. Cliffs will pay Golden State a gross royalty of 2% on the iron ore sales from the tenements as well as a 2% gross royalty on the sale of all other minerals.

The directors of Golden State are monitoring with interest developments in the acceleration of the Yilgarn Iron Ore project.

GOLDEN STATES WHITE CANYON URANIUM STAKE

The Company received an offer from Allegra Capital Pty Ltd for the sale of its interests in White Canyon Uranium Ltd to cornerstone investors. The proceeds of the sale will allow the company to focus on its oil and gas assets in Utah, USA.

The sale is structured with funds being received over 60 days at a price of 5c per share that will net the company over AUD \$2 million after fees of 6% are paid and represents an excellent return from the Utah Uranium claims pegged in 2005.

Golden State retained 45,670,000 shares in WCU after the completion of the listing of its US uranium assets into a new ASX company in 2007. The shares were held in escrow until 3rd March 2010. Since which time the company has sought suitable major investors interested in acquiring a corner stone investment in White Canyon Uranium Ltd.



Richard de Boer
Executive Director

30 June 2010

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