



GOLDEN STATE RESOURCES LIMITED

10 November, 2005

Dear Shareholder,

Please find attached a copy of the November 2005 edition of ResourceStocks magazine, which contains on pages 94 and 95 an article on our Company and its US onshore Golden Eagle oil & gas prospect, entitled "The Blue, Blue Sky of Utah".

Yours sincerely,

Richard Sciano
Executive Director

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of spare capacity clips the project's north-eastern corner.

Golden State plans to have the project underway by the second quarter of next year.

According to the company's exploration manager, John Hasleby, Golden State's initial well will drill through no fewer than 11 distinct potential pay zones on its way to its target depth of 14,600 feet.

"These 11 potential pay zones have contained hydrocarbons not just elsewhere within the basin, but elsewhere within the immediate area," Hasleby said.

Drilling that well will not come cheaply — Golden State will have to reimburse Eclipse up to \$US1.3 million for seismic data and the right to drill the hole, which will cost about \$US4.3 million — but the potential payback could be huge.

Seismic over the prospect has led to estimations of a mid-case target potential of 440 billion cubic feet, and an upside estimate of 3000Bcf.

That makes this project a genuine potential company maker.

Achieving Golden State's "most likely" mark of 440Bcf would deliver a mind-blowing project cash flow of more than \$US4.8 billion using prevailing oil and gas well head prices.

Since Golden State currently has a market capitalisation of about \$10 million, it is easy to see that the potential rewards offer pretty handy compensation for the risks involved.

Golden State has enlisted the services of two locals — Houston-based petroleum geologist Neville Henry and Denver-based petroleum engineer Gary Nydegger — to operate for the company at ground level.

Adding to the picture, says Golden State, is the fact the project is located in the business-friendly state of Utah. Utah is ranked as the second best jurisdiction in the US, behind Nevada, for exploration and development. Unlike most of the country, the state and federal governments own much of the prospective land and minerals in Utah, and the area has the bonus of having no major environmental issues or conflicting land usage.

It all begs the question how this promising slice of the US could have been overlooked by the nation's home-grown energy companies.

The prospect has, in fact, spent much of its history without attention due to an incorrect interpretation of the area published by Rocky Mountain Association of Geologists in 1972. The area was deemed to be lacking the required source rocks due to some formations in the area, but work by the likes of Mobil and Exxon disproved that analysis.

Past rock bottom oil and gas prices meant that continued evaluation of Golden Eagle did not eventuate. Handley continued to believe in the project's potential, and Golden State was eventually introduced to Eclipse and the project late



A rig drilling in the north of the Paradox Basin, which is home to 171 oil and gas fields.

last year by associates of Golden State chairman John Hopkins.

That led to the fleshing out of the current deal, under which Golden State will pay Eclipse up to \$US1.3 million for seismic data and the right to drill a first well, and then an additional amount of up to \$US1.3 million for the right to drill a second well. Thereafter, Golden State will have an 83.3% working interest and a 65% net revenue interest.

Facilitating all this will be the proposed capital raising, under which the current shares on issue will be consolidated on a 1 for 3 basis taking the issued capital to about 54 million shares, and up to a further 75 million shares will be issued to raise a maximum of \$15 million. The consolidation and share issue are subject to Golden State shareholder approval.

In the meantime, Golden State will continue to work on the hard rock assets it had at its core before Golden Eagle came into the picture. The future of those existing assets, which include gold and base metal targets in the Eastern Goldfields of WA and substantial uranium prospects in the US, will be determined by the progress of Golden Eagle. It's going to be a thrilling ride.

"This has got to be one of the most exciting potential opportunities going around the Australian oil and gas industry," said Golden State executive director Richard Sciano.

That excitement will only continue to build as drilling of that initial well nears. **RS**

golden state resources ... at a glance



Source: Patersons Securities Limited

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DIRECTORS

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MARKET CAPITALISATION

\$9.2 million (at press time)

MAJOR SHAREHOLDERS

Richard Sciano 7.4%
Silver Knight Holdings 6.2%