

This Week

Market Moves

StockAnalysis expects further weakness in both the USD and the AUD, which will favour exporters and tend to restrict the exuberance of importers...

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Woodside & Global

Petroleum Prepare to Drill

Woodside has secured a rig with which it plans to drill one or two wells offshore Kenya in Q4 2006. This is excellent news for Global Petroleum, which is free carried for 20% in Blocks 5 and 7...

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Golden State Resources

Gold and base metal explorer, Golden State Resources (GND) has emerged to join the ranks of small cap Aussies heading over to the USA to make their fortune...

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Mineral Securities Limited

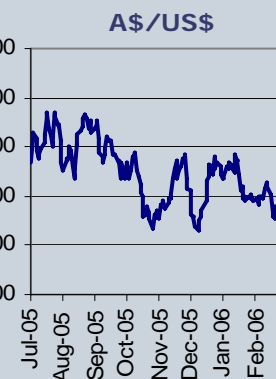
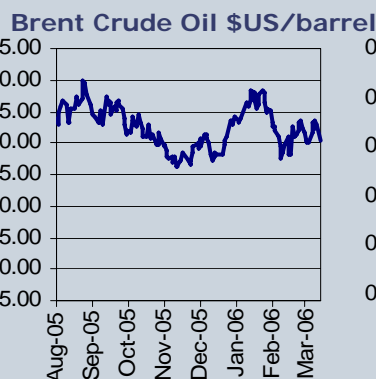
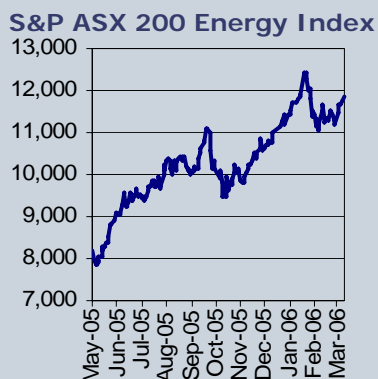
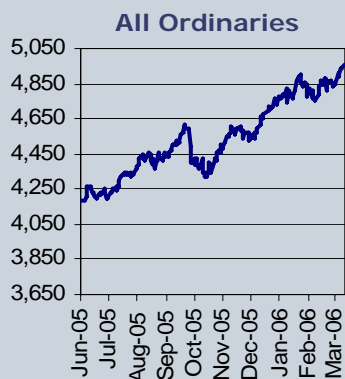
MSX is much more than a resource fund manager, taking a long term view on resource projects, identifying projects to which its management team can add value with its hands on approach...

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Indices & Prices

All Ordinaries	4,961.60
Energy Index	11,840.50
Brent US\$/bbl	60.43
AUS\$/US\$	0.7291

As at Close March 21st



Golden State Resources (GND)

Gold and base metal explorer, Golden State Resources (GND) has emerged to join the ranks of small cap Aussies heading over to the USA to make their fortune. **If GND makes a discovery, it could be the best performing stock on the Australian market this year by a long margin!**

GND Capital Structure	m.
Fully Paid Shares	135.7
Options	32.6 30cts 06/07
Total	168.3

Source: Golden State Resources

Golden State has reconstructed itself and now, flush with just over \$14m of net cash (8 cps) after costs, plans to earn a working interest of 83.3% in a group of permits in Utah's Paradox Basin by drilling two 4,500m wells at its Golden Eagle prospect. The prospect has a mapped, aerial extent of up to 20km² and multiple target horizons extending from about 2,700m to 4,500m depth.

The company is negotiating for a rig to drill the prospect during H2 2006. While carbonate reservoir quality is an issue, fields in the region, with porosities of around 6%, have produced oil, condensate and gas at commercial rates, relying on natural fractures to enhance deliverability.

The prospect has upside potential to hold over 1tcf of gas plus liquids and a mean/2P target of around 440 Bcf plus liquids with an assessed probability of success set at 19% by the company's consultant.

GND Risk Adjusted Exploration Valuation

Prospect	Equity	Price \$	Discovery Value \$/share	Leverage %	Risk adj Value \$/share
Golden Eagle	83.3%	0.19	10.25	5393%	1.07

Target	440 Bcf
	15 mmbbls
Value	\$ 27.0 A\$/bbl
	\$ 3.8 A\$/Mcf
Risk	11%

Source: Strachan Corp. Pty Ltd.

Since it is earning a massive 83.3% in the project, GND offers huge leverage to success. Discovery of 440Bcf of gas by this A\$10-12m well, would be worth about \$10 per share, compared with a current price of 19 cents.

The Golden Eagle prospect is a compelling target. Since negotiating the farmin deal, GND's US partner in Utah has been approached by several majors wanting to get a slice of the action. No doubt, GND could seek to lay off some of its risk and farm out on more favourable terms, leaving itself with a meaningful stake and a much reduced financial exposure.

(Continued on page 2)

While GDN may appear to be a one shot wonder, it has other assets in gold and uranium exploration and now has the ability to deal on its large Golden Eagle equity to ensure that it lives to fight another day should the prospect prove to be dry.

Recommendation

Considering the company's high leverage to success, in a drilling programme, scheduled for about 6 months hence, StockAnalysis recommends GDN as a speculative investment.

The company could drift down towards 15 cents ahead of firm drilling plans however, with a risk adjusted target value of \$1.07 per share, the stock should trade up to 50 cents ahead of spud date once a rig is contracted.

Contact

Peter Strachan:
Pex Publications:

Peter@stockanalysis.com.au
oilinfo@pex.com.au

5/1 Almondbury Rd Mt Lawley, WA 6050

Tel: 08 9272 6555 Fax: 08 9272 5556

Website: www.stockanalysis.com.au
www.pex.com.au

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