



GOLDEN GATE PETROLEUM LTD



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Market Release (*via electronic lodgement*)

COMPANY UPDATE

Golden Gate Petroleum has made some significant advances over past months that have transformed the Company. The Board is pleased to provide shareholders an update on those activities which have materially improved the outlook for the Company.

The advances include a significant improvement in the Company's financial position along with substantial changes to its shareholder and operational makeup. In addition, the Company has put in place a more solid strategic direction which is designed to provide shareholders with a better and more sustainable performance outlook.

Updates

- **Strategy** - GGP has refocused its strategy to oil and gas exploration by balancing the development of existing discoveries with a group of exploration prospects that the Company believes are low risk and low costs. These prospects remain focused in on-shore Texas and Louisiana where the Company has built a solid operational base and its knowledge base has grown tremendously. Each project now offers a smaller working interest yet is still impactful due to the size of the prize but more importantly enables GGP to participate in more projects where overall risks and rewards can be better managed.
- **New Prospects** - GGP is Operator with a 20% working interest in the **Fausse Point project** (currently drilling) with a potential oil resource estimated at 7.4 million barrels of recoverable oil and 24.2 billion cubic feet of gas, both at P50 levels. In addition, GGP has an 18% working interest in **Bowtie West**, a low risk prospect with over 50 billion cubic feet of gas reserve potential. There are also several new similar low risk, low cost projects in various stages of evaluation which are expected to be acquired by the group in the near future. Each new prospect if successful could provide significant upside to the GGP share price.
- **Bullseye Project** - GGP recently announced the acquisition of a 9% working interest in our Bullseye Prospect. The purchase represents a 27% increase in the Company's operating cash flow from existing production in the Jumonville #1 and #2 wells, and in addition the upside associated with further development of the Miogyp interval and testing of the discovery of oil in the large Camerina section across the prospect, as well as other intervals presently under review.
- **Financials** - Since 30 June, GGP has undergone a significant change in its financial position. Debt and Creditor obligations have been reduced by over \$8 million from repayments coming out of cash flow and equity issues. In addition, the Company's cash position has increased over \$2 million which will allow the Company to take advantage of a new group of projects along with the continued development of the Bullseye discovery.

- **Shareholders** - There has been a significant change in GGP's shareholders. Several large hedge funds that previously held close to 40% of the Company's shares have substantially sold down their position as the result of their own changing circumstances from this year's financial crisis as well as the unsuccessful test results of the deeper and larger Cib Hib interval at Bullseye. Over 1,000 new shareholders have been added to the GGP register providing a more diversified shareholder base and greater market liquidity.
- **Operations** - Numerous changes to Company staffing have happened over the last year. New operational (drilling and completion personnel) as well as exploration expertise have been added to the manpower base where higher qualified individuals are accessed on a project basis and hence not full time. This new approach has resulted in our operating costs and overheads being reduced while the technical base has grown.

The Board now believes that with its existing strong cash flow, a significantly improved balance sheet and a host of new drilling opportunities, the Company can now move forward more confidently with its business of oil and gas exploration and production.

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Golden Gate is an independent oil and gas exploration and production company listed on the Australian Stock Exchange. Its focus of operations is onshore Texas and Louisiana Gulf Coast region of the USA.

COMPETENT PERSONS STATEMENT: The information in this report has been reviewed and signed off by Mr Mark Decker, Geologist (BS. Geology), with over 34 years relevant experience within oil and gas sector.

This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.