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Market Release *(via electronic lodgement)*

GOLDEN GATE MERGER WITH PASS PETROLEUM

Golden Gate Petroleum (ASX: GGP) is pleased to announce that it has entered into a letter of intent with the private company, Pass Petroleum Pty Ltd (PPL) to merge PPL into GGP. This share for share deal provides an opportunity to significantly increase GGP's interest in its key projects and provide a significant uplift in shareholder value even after the dilution effects of the issuance of additional shares.

The primary benefits to GGP shareholders include:

- Provides GGP shareholders the ability to "scale up" post the recent capital raisings in a well diversified portfolio of development-oriented properties as well as some near term high impact exploration drilling.

- Significantly increase the risk-adjusted exposure to GGP's best exploration prospects at **Silverwood** and **Bowtie West** where both projects have already been partially funded by PPL for the initial drilling which will preserve GGP's recently raised capital for other activities.

- Increase the GGP working interest position for a minimal cost exposure in both existing production and development projects at **Bullseye** and the recent discovery at **Fausse Point** where GGP can capture greater control and cost savings.

- Participate in an opportunity where a merger brings significant value accretive gains on a risked basis after share issuance dilution based on GGP and PPL relative valuations. It is estimated that the Merger adds 1.9 cents per share in value or more than 50% uplift on the current share price on a risked basis even after the dilution effects of the issuance of additional shares. This value uplift is being captured by a merger ratio favouring GGP shareholders and providing a significant increase in exposure to any exploration success.

Comments

The Board of Directors of GGP believes the merger with PPL is a natural transaction to scale up GGP's existing prospects with limited cash exposure to upcoming drilling while providing a significant leverage to the portfolio and a significant increase in potential shareholder value well above the merger terms.

The analysis of the relative valuations of GGP and PPL would suggest that the Merger ratio should theoretically be 59/41 in GGP's favour. The Board therefore believes that any deal which further weights that ratio in GGP's favour is an attractive transaction as it increases GGP shareholders leverage to the combined portfolio. Consequently the negotiated 71/29 split is value accretive to GGP shareholders by 20% across its entire portfolio while also benefiting Pass shareholders by enabling them to participate in a larger company listed on the ASX with valuation reference points and liquidity.

Transaction

The transaction is a share for share deal. GGP will issue 500 million ordinary shares for all the outstanding shares in PPL. PPL shareholders will have 34% of the outstanding share capital of the merged Company (29% on a fully diluted basis).

GGP will be increasing its working interest position in five of its existing projects. The table below lists the projects and the working interest levels of both companies by project and on a merged basis.

PROJECTS	PPL	GGP	MergeCo
Production			
Bullseye	10%	42.5%	52.5%
Fausse Point	27%	18%	45%
Appraisal			
La Playa/Mid Frio	11.25%	23.75%	35.0%
Exploration			
Napoleonville		15%	15%
Bowtie West	18%	18%	36%
Silverwood	30%	30%	60%

A definitive agreement is currently being prepared and is expected to be completed within the next 14 days. Both shareholders of GGP and PPL must approve the transaction. Given the time it takes to obtain shareholder approval and the up coming drilling activity at Bowtie West and Silverwood, there will be a US$500,000 break fee paid to either party if shareholder approval is not obtained.

For further information contact:

Sam Russotti
Chairman

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.