



GOLDEN STATE RESOURCES LIMITED

2010/11 SECOND QUARTER RESULTS

HIGHLIGHTS

- **Deliverability Study**
 - **Approval for Gas Row**
 - **WCU investment sale completed**
 - **Forward Planning**
-

GOLDEN EAGLE OIL & GAS PROJECT, GRAND COUNTY UTAH

The second quarter of the 2010/11 fiscal year has been a period of planning and consolidation for Golden State. During the period, staking of several potential new drilling locations was completed. An Arches study along the water ROW was completed and approval has been received for the gas ROW. The company is also awaiting the conclusive results of a gas deliverability report on the Golden Eagle Field. During the quarter, negotiations have continued for the acquisition of gas processing facilities and in other developments, the company has sold its remaining shareholding in White Canyon Uranium to raise over \$1.6m.

Deliverability Study

The Company received a draft of the Gas Deliverability Study Report and has since been reviewing the document. An important aspect of the study was to provide the economic case for full production from the wells in their existing state. At this stage, the report does not immediately validate expected production volumes because of some apparent inconsistencies contained within the production and testing data. Golden State is seeking further information from the testing contractor and expects receipt of the final report in the first quarter of the 2011 calendar year. The company will make final economic decisions in relation to gas facilities and pipeline connection for the wells in their current state when the report is concluded.

ABN 39 063 074 635

Unit 18, 40 St Quentin Avenue Claremont, WA, 6010 PO Box 216 Claremont, WA, 6910

Tel: 08 9385 0700 Fax: 08 9385 4400 Email: gsr@goldenstate.com.au

Approval for Gas ROW

During the quarter, on successful completion of an Arches Study to in-fill a small gap in the existing survey, Golden State received the renewal of the existing Right of Way from the BLM, extending the ROW until 2015. Previously the company received a stamped copy of the proposed surface use for water and gas pipelines from the Utah State authority SITLA.

WCU investment sale completed

In the quarter, Golden State sold its remaining stake of White Canyon Uranium Shares. The company has also settled on the \$1.5m second Tranche of the previously announced sale. The proceeds provided funds to extinguish existing debt and to facilitate continued development of the company's oil and gas assets in Utah, USA.

Forward Planning

Three locations were submitted formally as staked future drilling locations, however, some of the decisions for the anticipated activities in the coming quarter have been delayed whilst awaiting the finalised gas deliverability report. Nevertheless, the company will utilise the period to focus on evaluating the conclusion of a number of goals, such as further fracture stimulation of current wells, testing the original primary target of Leadville Limestone and acquiring or establishing production facilities. The Company is looking forward to commencing on- site operations to continue development of the Golden Eagle Field.

31 January 2011

ABN 39 063 074 635

Unit 18, 40 St Quentin Avenue Claremont, WA, 6010 PO Box 216 Claremont, WA, 6910

Tel: 08 9385 0700 Fax: 08 9385 4400 Email: gsr@goldenstate.com.au