



GOLDEN GATE PETROLEUM LTD



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6 December 2012

AN OPEN LETTER TO ALL SHAREHOLDERS

Dear fellow shareholders,

You will have recently received notices of meeting and proxy forms for Golden Gate Petroleum Limited's ("Golden Gate" or the "Company") two extraordinary general meetings which are being held on 19 December 2012.

For the reasons stated below and to protect shareholder value by maintaining a cohesive Board, the Golden Gate Board is seeking your support to Vote **AGAINST** each resolution at the first extraordinary general meeting (involving the appointment of Thomas Burt and Trevor Kelly as Directors), and I am seeking your support to vote **FOR** each resolution at the second extraordinary general meeting (involving the re-election of Chris Porter and Rob Oliver as Directors).

Background

Certain Golden Gate shareholders calling themselves the GGP Investor Group have actively used the Shareholder Blog, "Hotcopper", and the GGP Investor Group website to raise issues about the Company's operations. In connection with this, the Company received a notice under section 249D of the *Corporations Act 2001* (Cth) on 26 October 2012 (the "249D Notice") which requires that the Company convene an extraordinary general meeting to consider certain resolutions relating to the removal and appointment of Directors. Those resolutions will be considered at one of two extraordinary general meetings to be held in Sydney on 19 December 2012.

On behalf of the Company's Directors, I wish to take this opportunity to provide shareholders with certain facts and to set the record straight about certain matters.

1. Company's Financing

(A) Concerns about Convertible Note Issues

Some shareholders say that Golden Gate should be restrained from issuing convertible notes due to their dilutionary effect.

In response, it should be recognised that:

- The Company conducted an Entitlement Offer in March 2012. This Offer raised approximately \$4.5 million (before costs) and all eligible shareholders at the time were invited to participate;

- Since that time, the only viable funding method that has been available to the Company to raise the funds necessary for the Permian Project in order to drill and fracture stimulate the Company's first horizontal well, SRH #5H (in which Golden Gate participates on a 100% working interest basis), has been a convertible note offer. The Company's funding options have been restricted due to the Company's primary asset, the Permian leases, being subject to pending litigation which restricts the Company's access to other funding sources and discourages potential investment partners;
- It has been imperative for the Company to obtain funding to move forward with its planned horizontal well development program, given that if the Company does not develop the undeveloped portions of its Permian mineral leases, those portions will expire in March 2013. This would most likely result in the Company losing those portions. Accordingly, the Company could not wait for market conditions to improve, or for the potential litigation surrounding the Permian leases to resolve (one way or the other), before proceeding with the latest convertible note offer;
- The Company's 2013 plan is to retain all portions of the Permian leases by maintaining a drilling program which will allow all portions of the present leases to continue. If the Company allowed certain portions of the current leases to lapse, new leases in respect of those undeveloped portions would need to be reacquired on a competitive bid basis. Current lease rates are outside of the financial capabilities of the Company and as a consequence it is most likely that the undeveloped portions would be lost; and
- The Company recognises the dilutive impact of raising equity like convertible notes for the very large Permian Project. However, both the proving up of reserves and the significant production and revenue that are expected to be gained from even a single horizontal well are expected to improve shareholder returns in a net positive manner.

Taking on board shareholder feedback in relation to funding, the Company expects to shortly announce an Entitlement Offer, which will give all shareholders the opportunity to participate in the ongoing development of their Company.

(B) Funding Claims by the Investor Group

The Company welcomes and will consider any funding proposals put to it. However, it is important for shareholders to know that claims of funding proposals from the Investor Group have failed to materialise or be substantiated as outlined below.

On 7 November 2012, I gave an investor presentation (which was released to the ASX on 29 October 2012) and following this presentation, on 8 November 2012, the post set out below (under the headings "To all Shareholders" and "Dilutionary Funding" in the "News" section) was included on the Investor Group website:

*"We raised, at the presentation, that we have commitment from people within the Investor Group and external to provide \$500K and that this was raised in one weekend of canvassing; we expect to have significantly more funding in the coming days. Along with this growing fund we have detailed our discussions with RBS Morgan's and have had favourable response from them to assist depending on the Novus Capital Mandate terms and conditions. These will be ongoing discussions and subject to the Investor Group having board positions."*¹

At the Company's AGM on 9 November 2012, some members of the Investor Group requested seven days to put together a funding proposal for the consideration of the Company's board. As at 5 December 2012, the Company has yet to receive any formal funding proposal from the Investor Group.

¹ The Company notes that this statement has subsequently been withdrawn from the "News" section of the GGP Investor Group website.

In addition:

- the following paragraph, under the heading “6/ Permian Basin Lease Retention” in “The Future Plan” section, has been present on the Investor Group website: *“The group and Mr Kelly has already received a verbal commitment from RBS Morgans that, subject to the current mandate the company has with Novus Capital and its possible restrictive trade provisions, they will immediately provide their expertise on equity solutions that are more favourable to shareholders at the instant that Mr Burt and Mr Kelly are elected.”*; and
- the following statement is contained in the Investor Group Statement (as set out in the Notice of General Meeting relating to the extraordinary general meeting called in response to the section 249D Notice): *“We have funding opportunities within the shareholder group and with RBS Morgan, who are keen to assist.”*

Following recent enquiries by the Company with the Legal & Compliance Department of RBS Morgans, the Company understands that RBS Morgans has no knowledge of any dealings with the Investor Group in relation to funding arrangements for the Company. The Company has asked the Investor Group to provide details of any 'commitment' the Investor Group has received from RBS Morgans, however, no response has been received from the Investor Group as at 5 December 2012.

2. Company Profitability

As an investor in Golden Gate, you should be aware that the Company is a microcap oil & gas company involved in an industry which is capital intensive and has inherent risks.

Golden Gate is undertaking an expensive development program involving a portfolio of conventional and unconventional oil & gas projects, such as the Permian and Eagle Ford Shale Projects. These projects have required large amounts of capital to be raised over the past 2 years and will require large amounts of capital to be spent to bring them forward from an exploration stage through to a development stage.

It is not unusual for a microcap such as Golden Gate to be unprofitable at the commencement of a large scale development project, due to the time lag between investment in, and returns from, successful producing assets.

The Directors continuously review the Company's portfolio of assets and assess the long-term value of those assets for shareholders. In connection with this review process, in the past 12 months, Golden Gate has: (i) entered into a farm out agreement of the North Edna Project; (ii) partially farmed down the Napoleonville Project for a well carry; (iii) sold the Bullseye Project for cash; and (iv) high graded the bench of available projects without commitment or cost by acquiring options to participate in the Acadia and Goliad Projects which are subject to the Company's future financial position.

3. Directors' Experience

On 20 November 2012, the Company announced to the ASX that it had appointed two new Independent Non-Executive Directors to the board to assist in the strategic planning and operational decisions of the Company and their biographies were included in that announcement. Mr Chris Porter and Mr Rob Oliver are highly credentialed oil & gas industry experts who have accepted positions on the board. They have also agreed that their appointments be confirmed by shareholders at the second extraordinary general meeting to be held on 19 December 2012. As announced to the ASX, following Mr Porter and Mr Oliver's appointments, Mr Frank Petruzzelli and Mr Frank Brophy resigned from the board of the Company on 30 November 2012.

At this critical point in the Company's development the board believes that it is crucial to have qualified and experienced oil and gas directors on the board who know and understand the highly technical nature of the industry and can interpret complex geological data and implement operational and commercial plans to

deliver returns to shareholders. Both Mr Porter and Mr Oliver have these qualifications and can work in a cohesive and knowledgeable manner in representing the Company's shareholders.

The suitability and experience of the two directors proposed by the Investor Group, Messrs Thomas Burt and Trevor Kelly, is uncertain. It does not appear that either candidate has relevant commercial, technical or operational experience applicable to a micro-cap ASX listed entity which explores, develops and operates in the North American oil & gas industry.

As the Company further progresses the development of its unconventional oil & gas portfolio in the Permian and Eagle Ford Projects and other conventional Projects, technical oil & gas expertise will be vital.

I believe that your Company needs a cohesive board with the technical expertise to advance the Company's projects and that the current board is best suited to help the Company achieve technical and financial success for all shareholders.

4. Shareholder Communication

Some shareholders have criticised Golden Gate's lack of communications. The Directors have listened to this feedback and have acted by meeting with shareholders and producing:

- fortnightly production and drilling reports;
- Market Briefings (in a Q&A format);
- more regular project updates; and
- investor presentations.

The Company has been restricted in what it has been able to communicate to shareholders regarding the Permian Project due to the ongoing legal proceedings. Those legal proceedings make it difficult to discuss the potential litigation affecting the Project in any detail, or to provide certain information regarding the Project (as the Company is concerned that any information it communicates with shareholders could impact the Company in any subsequent legal proceedings).

5. Conclusion

The challenges facing Golden Gate are significant. But so are the opportunities and potential value.

The scale of the Permian Project requires significant amounts of capital to fund a horizontal drilling program. It is imperative for the Company to move forward with its planned horizontal well development program, given that if the Company does not finish developing the undeveloped portions of its mineral leases those portions will expire in March 2013 (which would mostly likely result in the Company losing them).

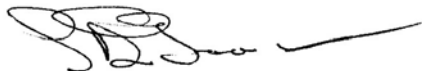
Your board believes that Golden Gate can meet these challenges and realise the value of its opportunities. We have an exciting development project in the Permian that has the potential to result in the Company booking reserves for the first time.

The Company is also fortunate to have built a diversified project portfolio consisting of lower risk conventional projects with potential short term cash flow (including Goliad, Acadia, Bowtie, North Edna and Napoleonville) that can help provide funding and financing for the longer term non-conventional projects (the Permian and Eagle Ford projects). The diversified nature of the Company's portfolio of projects provides Golden Gate with the ability to maximise shareholder value whilst mitigating the risks inherent in the oil and gas business.

Now is the time to address our challenges and to capitalise on the growth potential of our Company. I believe the current board and management are best placed to deliver a successful outcome for the Company and its shareholders.

For the reasons set out above, I urge you to Vote **AGAINST** each resolution at the first extraordinary general meeting (involving the appointment of Thomas Burt and Trevor Kelly as Directors), and **FOR** each resolution at the second extraordinary general meeting (involving the re-election of Chris Porter and Rob Oliver as Directors), to be held in Sydney on 19 December 2012.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Steve Graves', followed by a long horizontal flourish.

Steve Graves
Chairman and Managing Director