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ASX/Media Release

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COMPANY FINANCING UPDATE & ACQUISITION OF NEW PROJECT

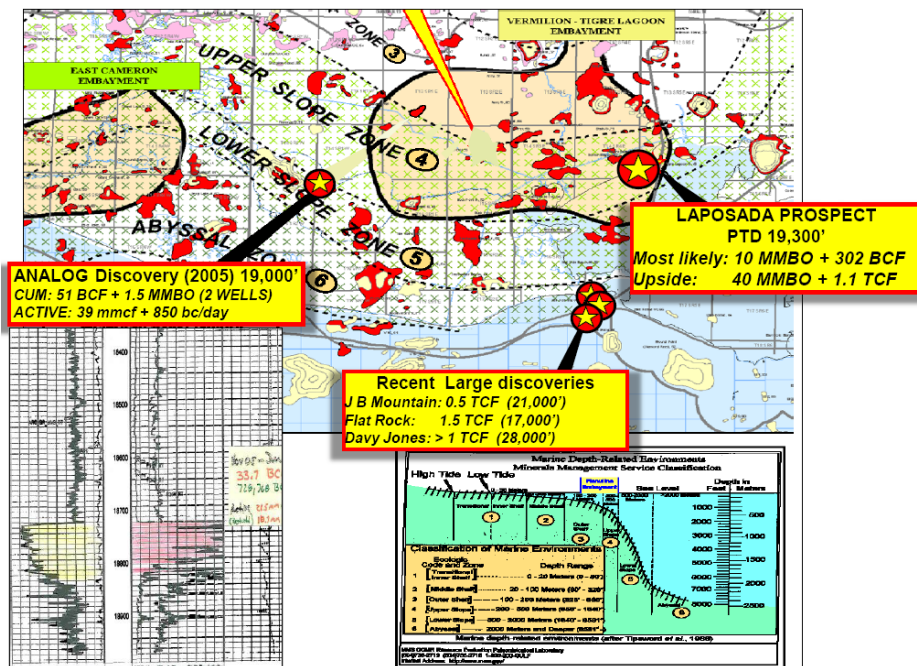
- Acquisition of High Impact (10 MMBL / 302 BCF) project due to spud in 2/3 months
- Rights Issues to Raise \$4.7m, underwritten up to \$3.9m
- Agreement by Financiers for 50% debt conversion
- Update on Dugas & Leblanc #2

Acquisition of 4.75% working interest in La Posada

The Board is pleased to advise that it has entered into an agreement to acquire a 4.75% working interest in the La Posada Prospect which covers an area of 2899 acres in Vermilion Parish, Louisiana. This prospect will be drilled to a total depth of 19,300ft and is expected to be drilled in the first quarter of 2011.

To fund this well and to replenish working capital the Company is undertaking a 1 for 1 non-renounceable entitlement issue as detailed below.

The La Posada Prospect was generated from a proprietary 3D shoot. The project is targeting a condensate rich gas pool in a large fault bounded structure, located in a major proven hydrocarbon trend with nearby discovery and analogy in the same objective. The most likely resource potential being 10.3 MMBL and 302 BCF gas, with upside potential of 40 MMBL and 1.1 TCF gas. The project offers substantial impact and long life reserves.



The first well, Thibodeaux #1, spud is planned for February/March 2011. The well will be drilled to a total depth of 19,300ft. The Company's share of well costs is 5% of the total which is estimated at ~US\$1.1m.

The well is totaling multiple objectives with over 2,100 gross feet of objectives over 2,000 acre closure:

- Primary targets: L CrisR 1st Massive sands (680ft sand off structure)
- Secondary targets: U & M CrisR sands (700ft sand off structure)

Analog fields

Flat Rock / Davy Jones (2004-10)

- Deeper Pool Discoveries
- On prolific Tigre Lagoon Regional N-S Ridge

Etouffe S. Turtle Bayou (2000)

- Analogous structure, timing, depth and deposition
- 20.8 MMBC & 250BCF (active)
- Darcy permeability

Bayou Postillion (1970)

- On trend Large CrisR Fields
- Analogous structure, timing and deposition
- 266 BCF & 3.1 MMBC

Operational and Economic Upside

Reserve Upside:	Column height, Condensate yield, number of pays and sand thickness
Production rates:	Deliverability & analog sustained rates 30+ mmcf/d and 1,400+ bc/d
Condensate yield:	Higher yields on trend (45 and 75 bc/mmcf)
BTU FACTOR:	1100btu/mcfg
Operating costs:	SWD on property & access to Intracoastal Canal
Project costs:	Pipeline tap on property, Shut in well available for re-entry / development sidetrack
Drilling control:	Offset well located 1,100ft from location drilled and within 3,100ft of TD Well drill in 46 days without incident
Gas markets:	2.5 miles from Henry Hub central facilities and multiple markets
Entry Terms:	Very favorable with 5% carry to casing point and 10% back in after project payout pro-rata adjusted to the working interest. GGE's estimated share of the dry hole costs of the well is ~US\$1.1m.

The financing of the cash call obligations in the short term will be undertaken by Seaspin Pty Ltd, as loans to the Company, until such time as the Company completes its financing arrangements as set out below. Seaspin has the option, subject to shareholder approval, to convert these cash call funds to equity on the same terms as the Rights Issue or have the project transferred to it if financing has not been completed on or before 28 February 2011.

Rights Issue to raise \$4.7m

Grand Gulf announces that it is proceeding with a partially underwritten pro rata non-renounceable entitlement issue of one (1) Share for every share (1) Shares held. Shareholders for the issue of up to 940,714,198 Shares at an issue price of 0.5 cents per Share with one (1) free attaching option for every two (2) shares issued to raise approximately \$4.7m before costs.

The options will be exercisable at 1.5 cents each on or before 30 June 2013 and the Company will be seeking quotation for these options.

The Company has entered into agreements with private equity funds and Directors to underwrite the shortfall from the Issue up to a maximum of \$3,900,000.

Elimination of Debt

The Company's is pleased to inform that Macquarie Bank, Seaspin Pty Ltd and Skye Equity Pty Ltd have agreed to convert 50% of their existing debt to shares at an issue price of 0.6c per share together with 1 free attaching option for every 2 shares issued with the balance to be repaid in cash. The options will be the same terms and conditions as those referred to above under the Rights issues. The resultant conversion will increase the number of shares on issue by around 506m shares and 253m options.

This is subject to shareholder approval with the Notice of Meeting to be dispatched shortly.

Drilling Update

The ongoing drill and testing program is set out below:

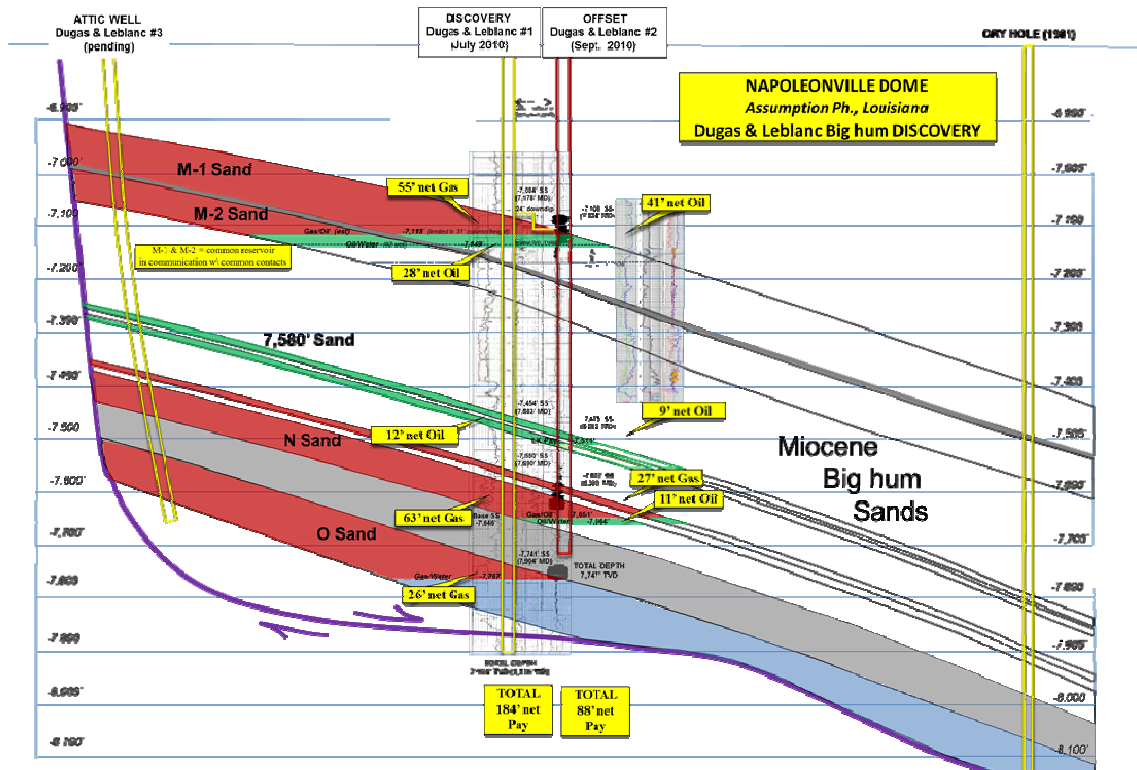
Drill/Testing Program	Date	P50 Oil	P50 Gas
D&L #2	December 2010 (production to commence)		
La Posada	February/March 2011	10 MMBO	302 BCF
D&L #3	Early 2011		

Napoleonville- Dugas & Leblanc #2 Well, Assumption Parish, Louisiana, Non Operator 39.5% WI

The Company advises that the majority of works have been completed with the sales meter expected to be finalised mid this week enabling the well to commence production shortly.

Dugas & Leblanc #3, Development well, Non-Operator 39.5%

The JV is planning a development attic well updip from the Dugas & Leblanc #1 and #2 wells as identified in the above cross section. The plan is to drill the updip well to 7,900ft targeting 2 pay sands and to initially produce gas from the lowest of the Sands, the "O", until it is depleted and then move up the hole. Subject to JV consensus, the Company anticipates drilling this well in early 2011.



Napoleonville Project Seismic Review

The Company has just received the latest PSTM processed cube of 3D seismic data and is now reviewing the data with the integration of the latest logs from the recently drilled wells. The integration of the latest log information will allow better targeting and delineation of prospects. The Company is focussing on lookalikes to the Dugas & Leblanc discovery, oil plays in the North East Flank of the Napoleonville Salt Dome and deeper features. The Company will announce the next raft of prospects to drill in early 2011.

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For more information visit www.grandgulfenergy.com and sign up for email news.

Background to the Napoleonville Salt Dome

- The Napoleonville Salt Dome has the potential to contain 500 billion cubic feet (BCF) of gas and 3.9 million barrels of oil (MMBO) from over 60 prospects and leads which have been identified so far from Grand Gulf's proprietary 50 square mile 3D seismic survey. The agreement with Grand Gulf includes access to the entire Napoleonville potential.
- The Napoleonville Salt Dome has historically produced 188 billion cubic feet of gas and 20.2 million barrels of oil. Multiple high quality targets have been identified from the recent 50 sq. mile 3D seismic survey and as the technical work continues, it is likely to generate significantly more prospect and PUD opportunities. The primary targeted sands are Tex W, Big Hum, Operc, Cris R II – VII, Marg Vag, Camerina and Miogyp with sands commencing at 4,000ft to 14,000ft.

- As of October 2010, approximately 5,700 acres of leases had been exercised from Grand Gulf and partners 35,300 optioned acres pertaining to the seismic shoot. Relationships with the various landowners previously under option have been maintained in preparation to lease newly developed prospects as they advance.

About Grand Gulf Energy: Grand Gulf is an ASX listed US based oil and gas exploration and production company with management in Houston and assets in Louisiana and Texas.

COMPETENT PERSONS STATEMENT: The information in this report has been reviewed and signed off by Mr K.C. Whittmore (Registered Geologist, Texas USA), with over 36 years respective 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.