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ASX GGE

ASX/Media Release 7 October 2010

UPDATED $7.5M CAPITAL RAISING TO FUND DRILLING PROGRAM

The Board advises that the Company will no longer be accepting applications under the current entitlements issue and the Company will be proceeding with the following revised partially underwritten pro rata non-renounceable entitlement issue of four (4) Shares for every five (5) Shares held by Shareholders for the issue of up to 752,571,358 Shares at an issue price of 1 cent per Share to raise approximately $7,525,714 (the "Issue") before costs.

The Company has entered into revised underwriting agreements with Skye Equity Pty Ltd and Seaspin Pty Ltd, a company related to Mr Charles Morgan, ("Underwriters") to underwrite the Issue up to a maximum of $4,000,000. Under the terms of these Underwriting Agreements, the 50,000,000 unlisted Options to be issued to each Underwriter, subject to shareholder approval, in accordance with the Working Capital Loans provided (as announced on 7 September 2010), will be exercisable at 1 cent each.

The Company advises that Seaspin Pty Ltd has provided a further A$500,000 working capital loan at an interest rate of 8% per annum and in addition the Company will, subject to shareholder approval, issue to Seaspin Pty Ltd a further 20,000,000 unlisted options exercisable at 1 cent each on or before 1 September 2015.

The proceeds from the Issue are to be used for exploration and development of the Company's interests in the Napoleonville Salt Dome and for repaying loans made by the Underwriters to allow the Company to continue operations while there have been delays in completing the capital raising. In the event of under-subscriptions, these loans will convert to equity under the Shortfall of the Issue to the extent applicable.

All shareholders that have participated to date under the old Entitlements Offer will be refunded their monies and will need to lodge new application forms should they wish to participate.

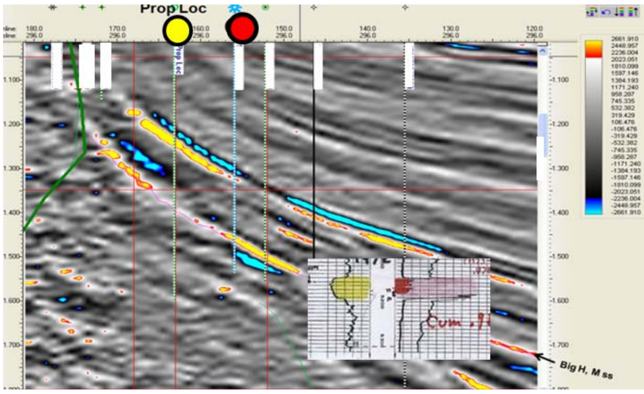
As previously announced the existing entitlements issue has been delayed a number of times due to the uncertainty of Grand Gulf's liability for the costs of the blowout at Dugas & Leblanc #1. Whilst the final costs of the blowout are still not known and there are outstanding class actions brought against the Operator of the well, the Board believes that the costs of the blowout have been contained to a large extent and that they will on the whole be covered by insurance. There may still be some costs to the Company but the Directors believe, but cannot guarantee, that these will not be substantial if they do arise.

The upcoming drill and testing program is set out below:

Drill/Testing Program	Date	P50 Oil	P50 Gas
Clifton Lands #1	Spudding	100,000 BBL	5 BCF
D&L #2	Testing		
Mound II	Late 2010/Early 2011	2.65 MMBO	75 BCF
D&L #3	Late 2010/Early 2011		

Clifton Lands #1, Non-Operator 46.83% WI

The Board is pleased to advise that the Clifton Lands #1 well is due to spud this week. The well is testing a primary objective in the Big Hum sand with 5 BCF classified as a PUD and targeting further exploration upside objectives in the Tex W of 100,000 barrels oil. If the well is successful initial flow rates are expected to be around the 5,000 MCF per day and 100+ barrels of oil per day. Total dry hole costs are estimated at US$1,100,000. The well is expected to take 10 days to drill and the rig is currently on site rigging up.



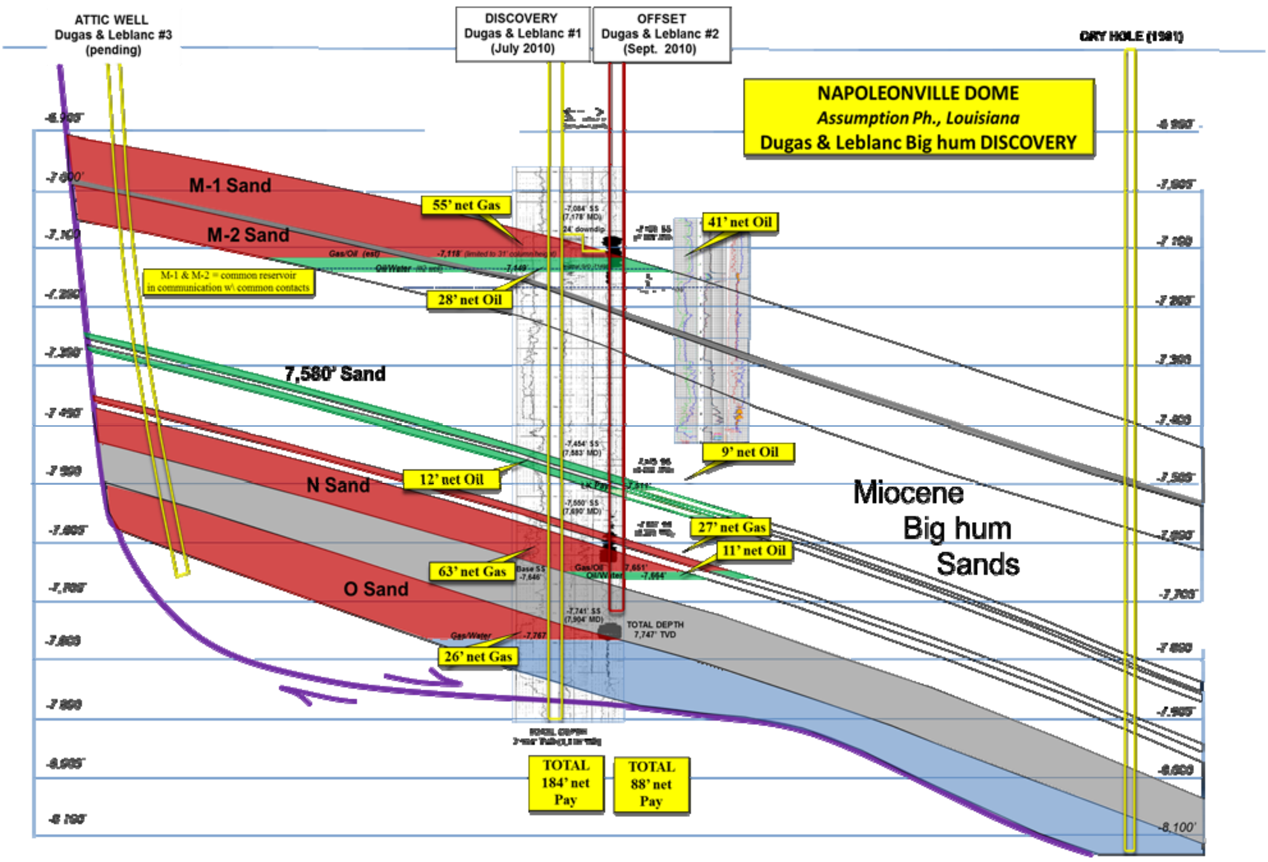
Partners in the Clifton Lands #1 well are:

Company	WI
Grand Gulf Energy Ltd *	46.83%
Golden Gate Petroleum Ltd (operator)	15%
Other Partners	38.17%

* GGE is liable for 60.76% of dry hole costs of well costs.

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

The Dugas & Leblanc #2 well will be tested and, if testing is successful, completed in the “N” Sand which electric logs show as oil bearing (as per cross section below). This work will commence as soon as the workover rig arrives which is expected this week.



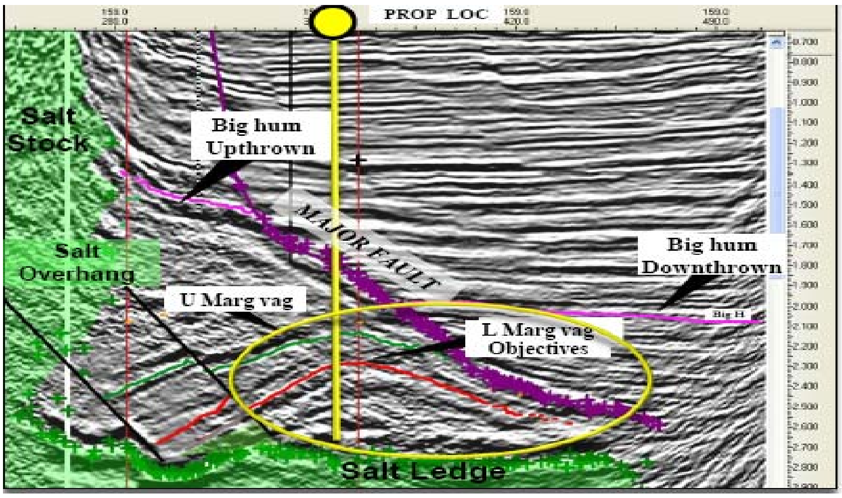
Dugas & Leblanc #3, Development well, Non-Operator 39.5%

The JV is presently reviewing plans for a development, attic well updip from the Dugas & Leblanc #1 and #2 wells as identified in the above cross section. The proposal being reviewed is to drill the updip well to 7,900ft to initially produce gas from the lowest of the Sands, the "O", until it is depleted and then move up the hole to produce gas from the overlying sands. Following JV consensus, the Company anticipates drilling this well in late in late 2010 or early 2011.

Mound II, Operator 39.4%

The fifth well in the current program, Mound II, is testing a primary objective in the Marg Vag sand with 50 BCF and 1.75 million barrels and is classified as an exploration well. It is also targeting further exploration upside objectives in the overlying lower Cris R of 25 BCF and 875,000 barrels oil. If the well is successful, initial flow rates are expected to be around the 5,000 MCF per day and 300+ barrels of oil per day. Total dry hole costs are estimated at US$1,800,000.

The Company anticipates drilling this well in late in late 2010 or 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 520 billion cubic feet (BCF) of gas and 4.5 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 James Trimble (Registered Professional Engineer, Texas USA), with over 38 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.