6 December 2012

S WELSH DRILLING UPDATE 4

- S Welsh Prospect, Calloway #1 well, developed drilling complications due to a significant influx of gas into the wellbore from a zone above the well objective.
- Although the well is under control, the operator has recommended it be P&A'd.
- The operator is presently preparing a re-drill proposal for the partners to consider.
- The Company owns a 10.5%WI of an estimated resource of upto 450,000 bbls of oil in a low risk project approximately 250ft high to a well which produced 335,000 bbls of oil and associated gas. The well is designed to encounter the Marg Tex formation.
- Located in Jeff Davis Parish, Louisiana within the Welsh Field (produced 90 MMBO and 100 BCFG).
- Project is an up-thrown 3-way trap on the flank of deep seated salt structure generated from subsurface well information and 3D seismic.
- Sand deposition is uniform with the downdip well logging 150ft of sand.

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
Desiree	Drilling	280-360 MBO	5-11
S Welsh	Drilling	50 MBO	-
W. Klondike	Drilling	210-500 MBO	0.6-1.7 BCF
Port Hudson	Dec 12	40-75 MBO	-
Louise	Dec 12/Jan 13	130 MBO	-
Total		709-1,109 MMBO	6-12.5 BCF

PRODUCTION AND DEVELOPMENT PROGRAM

D&L#3	Prod.	130 MBO	.4 BCF
Abita	Under completion	60-120 MBO	1.0 BCF
Total		190-250 MBO	1.4 BCF

Board & Management

Mr Mark Freeman
Managing Director
Mr Charles Morgan
Executive Chairman
Mr Allan Boss
Executive Director
Mr Stephen Keenihan
Non-Executive Director

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GGE (3,739m)
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S Welsh Prospect

S Welsh, Jeff Davis Parish, LA, 10.5% WI, Non Operator

The Board advises that Calloway #1 developed drilling complications due to a significant influx of gas into the wellbore. Although the operator has the well under control, they have recommended the well be P&A'd. As the operator believes that the well was yet to reach the primary objectives in the Marg Tex sands a redrill proposal is being prepared for the partners to consider.

Whilst drilling the turnkey operator was required to operate the well outside of the turnkey limitations and accordingly the well was placed on day rate. The operator is reviewing its control of well insurance to determine whether a re-drill will be covered by insurance.

The Company has a 10.5%WI in this development project with an estimated resource of 450,000 bbls of oil.

The S Welsh project is located in Jeff Davis Parish, Louisiana on the SW flank of Welsh Field (90 MMBO & 100 BCFG). The well is targeting Marg Tex sands 250ft updip to a well that produced 335,000 bbls of oil. Including the adjacent fault blocks, the Marg Tex sands have produced over 1,000,000 bbls of oil from 4 wells. The proposed well is the highest location relative to these wells.

The project was generated from 3D seismic, reservoir study and subsurface mapping and is an up-thrown 3-way trap. The sand deposition is uniform in the area with the downdip well logging a combined 150ft of sand over three sands. The potential net resources to Grand Gulf are estimated at 45,000 bbls of oil representing a low risk development project. Gross flow rates are estimated at 200-300 bbls oil per day. The net revenue interest is 75%.

The well was being drilled to a total depth of 7,500ft straight hole. The Company's share of well costs is ~US$165,000.

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

COMPETENT PERSONS STATEMENT: The information in this report has been reviewed and signed off by Mr KC Whittemore (Registered Geologist, Texas USA), and Kevin Kenning (Registered Reservoir Engineer) with over 36 and 30 years relevant experience respectively within oil and gas sector.

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