

17 September 2012

DESIREE DRILLING & NAPOLEONVILLE UPDATE

HIGHLIGHTS

- Desiree prospect is being prepared for drilling in early October 2012
 - resource potential is estimated at 1 million barrels oil and 15-30 BCF gas
 - Location is presently being built, rig has been secured with spud estimated early October 2012
 - Operator of Desiree is also Napoleonville JV Operator
- GGE has restructured its interests in the Napoleonville JV. It has:
 - increased its interests from 17.5% to 21.9% on all future Napoleonville projects
 - farmed down 5.25% of Desiree reducing the Company's interest to 35.6% and well cost exposure to ~\$1.1m.
- The first Prospect under the new Napoleonville JV, Louise, has been proposed by the operator. Louise is targeting 600,000 bbls of oil.

Managing Director, Mark Freeman, commented that "The Napoleonville JV Operator has been working very hard at reprocessing and interpreting the 50 sq m of 3D seismic data and has designated the first prospect targeting updip production of 600,000 barrels of oil resource potential. GGE has reduced its financial exposure on Desiree from \$1.4m to \$1.1m whilst still maintaining a material 35.6% WI in the prospect and increasing its interest in future Napoleonville JV prospects. The Desiree location is being built and the well is expected to spud in early October 2012.

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
Leduc	Drilling (7,665ft)	260-2,640 MBO	-
Desiree	Oct 12	290-360 MBO	5.4-10.7 BCF
W. Klondike	Oct 12	210-500 MBO	0.6-1.7 BCF
S Welsh	Oct 12	50 MBO	-
Port Hudson	Nov 12	40-75 MBO	-
Louise	Dec 12	130 MBO	
Total		1 - 3.8 MMBO	6-12.5 BCF

PRODUCTION AND DEVELOPMENT PROGRAM

D&L#3	Prod.	160 MBO	.5 BCF
Abita	Prod.	70-140 MBO	1.2 BCF
Total		230-300 MBO	1.7 BCF

Board & Management

Mr Mark Freeman

Managing Director

Mr Charles Morgan

Executive Chairman

Mr Allan Boss

Executive Director

Mr Stephen Keenihan

Non-Executive Director

Corporate Office

1292 Hay Street,

West Perth WA 6005

T +61 (0) 8 9389 2000

F +61 (0) 8 9389 2099

E info@grandgulf.net

www.grandgulfenergy.com

Houston Office

Suite 142, 9525 Katy Freeway

Houston Texas 77024

ASX Codes

GGE (3,739m)

GGEO (1,469m)



Desiree Prospect & Napoleonville Update, Non Operator

Desiree, Assumption Parish, LA, 35.6%

The Company is pleased to advise that the location at Desiree is being built. A rig has been sourced with the spud date expected to be in early October 2012. The Desiree Prospect covers an area of 140 acres in Assumption Parish, Louisiana and is being operated by a large US GOM Oil and Gas Company. The operator is the same partner that is managing the Napoleonville Salt Dome project.

This well will be drilled to a total depth of 12,550ft. The Company's net share of dry hole costs is estimated at ~US\$1.1m (total drilling costs are US\$3.6m). The Primary objectives are the Cris R II and III which have the potential for 600,000 - 800,000 bbls of oil and secondary objectives in the Cris R IV and V (200,000 bbls oil and 15-30 BCF gas).

The well is updip and 270ft from the largest producer in the Napoleonville Field (2.3 MMBO – Cris R II & III) which was abandoned at low oil prices with split casing while still producing 100 bbls per day (collectively from Cris R II and III). If successful, the project offers long life reserves, with IP's of 400-800 bbls per day and will have a substantial positive cash flow and reserve impact on the Company.

This is a proven productive fault block with a strong water drive in the primary objectives. The prospect has a significant oil column and long life production potential and was generated from 3D seismic and subsurface support for updip attic structure.

Napoleonville, 21.9%WI Project Restructure

The Company is pleased to advise that it has revised the terms of its farmout. Grand Gulf has increased its working interest in all future Napoleonville projects from 17.5% to 21.9% Working Interest in future wells and will be liable for 17.5% of drilling costs on the first two wells. Reprocessing of the time seismic data has been finalized and depth modeling has commenced. This includes building an accurate edge of salt model. Upon finalization of the depth model, several prospects are anticipated including high potential deeper plays. The first prospect, Louise, has been designated under the JV.

Louise, Assumption Parish, LA, 21.9%

The Louise Prospect is a well designed to capture Cris R IV oil. This well will be drilled to a total depth of 11,900ft TVD. The Company's net share of dry hole costs is estimated at ~US\$620,000. The Primary objective is the Cris R IV which has the potential for 600,000 bbls of oil and secondary objectives in the Marg A Strat Sand and secondary Cris R sands. The prospect was generated from 3D seismic and subsurface support for updip attic structure.

The well is in a proven fault block which has produced 2.3 MMBO / 10.5 BCF. Proposed location is 380ft updip to Cris R IV oil production in a water drive reservoir. If successful, the project offers long life reserves, with IP's of 400 bbls per day and will have a substantial positive cash flow and reserve impact on the Company. The operator is looking to spud the well in December 2012.

Mark Freeman
Managing Director
Phone +61 8 9389 2000

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

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 Arkansas.

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.

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 estimate.