

OPERATIONAL UPDATE



31 August 2012

HIGHLIGHTS

- Leduc Reef, 22% WI – Well is drilling ahead at 3,529ft. Leduc is a high impact well targeting mean resources of 1.2 mmbo and upto 12 mmbo.
- West Klondike – Operator has received approval to build location. Spud is anticipated in October 12.
- Abita #1, 20%WI – operations to repair a seal are complete but well facilities have been suspended for Hurricane Isaac.

Energy Prices

WTI \$94.62 (BBL)
Henry Hub \$2.73 (MMBTU)

Major Shareholders

Charles Morgan 19.95%
Craig Burton 10.21%
Macquarie Bank 5.56%

ASX Codes:	GGE / GGEO	Mr Charles Morgan	Executive Chairman
Share Price:	0.3c / 0.1c	Mr Mark Freeman	Managing Director
Shares	3,739m	Mr Stephen Keenihan	Director
Listed Options	1,469m (1.5c)	Mr Allan Boss	Executive Director
Mkt cap	\$11.4m		

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
Leduc	Drilling	260-2,640 MBO	-
Desiree	Sept 12	330-410 MBO	6-12.5
W. Klondike	Sept 12	210-500 MBO	0.6-1.7 BCF
S Welsh	Oct 12	50 MBO	-
Port Hudson	Nov 12	40-75 MBO	-
Total		890-3,675 MMBO	6.8-14 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



EXPLORATION ASSETS

Leduc Reef Prospect,

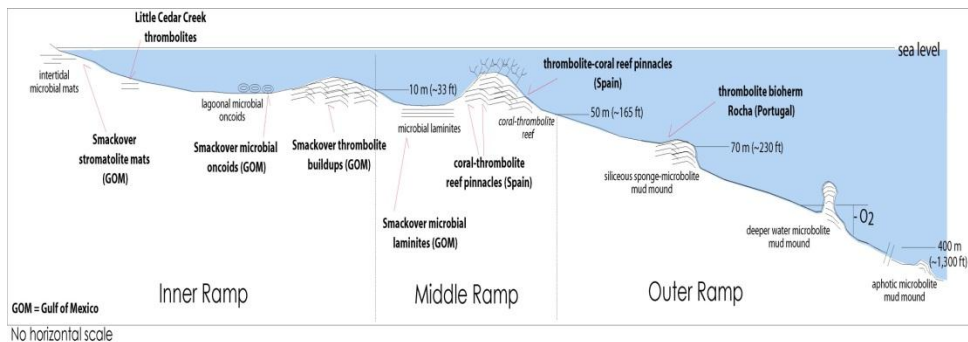
Dickens #1, Leduc Reef, Lafayette County, Arkansas, 22%WI, Non Operator

The Board advises that the Dickens #1 is presently drilling ahead at 3,529ft and was spud on 26 August 2012, Houston time. The well is expected to be drilled within 3 weeks. Hurricane Isaac has not affected drilling.

The prospect will be drilled to a total depth of 8,600ft. The most likely resource potential is 1.2 MMBL oil with upside potential of 12 MMBL oil. Production rates are estimated to be 100-300 bbls of oil per day.

Porosity development within the Smackover has been proven in the nearby Midway Field with over 60 million barrels oil cumulative production.

The prospect is a mounded feature defined by proprietary, 3D seismic and is interpreted to be a probable bio-carbonate mound. The prospect is situated on a basement hinge ridge, which is ideal location for the formation of carbonate buildups. The age of the prospect is upper Middle Jurassic to lower Upper Jurassic. Secondary objectives are the Lower Smackover 'Brown Dense' micritic limestone. This limestone facies is well known to be the primary source rock for the entire basin. Porosity development within the Smackover has been proven in the nearby Midway Field with over 60 mmo cumulative production.



Further opportunities are available to Grand Gulf and the company has a right to participate pro-rata in any new prospects generated in a 3D AMI pertaining to this reef trend. Analogues for this prospect are the Appleton and Little Cedar Creek fields in Alabama. These fields produce out of Upper Jurassic thrombolite reefs located along the northern margin of the Gulf of Mexico.

The Company's share of the initial well costs is estimated at ~US\$335,000. In a success case the Company's share of completion and facilities costs are a further US\$168,000.

The Company is paying 26.66% to earn a 22% working interest on the first well. The net revenue interest being delivered is ~75%.

West Klondike Prospect, Non Operator 10.5% WI

The Operator of West Klondike has confirmed they are presently staking location and anticipate securing a rig to spud in October 2012. The Operator is also presently reviewing a turnkey drilling contract.

The West Klondike Prospect is a fault block closure which has been identified on 3D seismic data and is in close proximity to analogous offset production. The targeted sand sections are the Marg Tex, Lario and Upper and Lower Nod Blan, all of which produce in the fields highlighted on the sub regional map (Map 1). The resource potential is 4.8 MMBL oil and 17 BCF gas. There is also a larger, separate, high pressure, deeper prospect in the leased area that will require a separate well. The target sands of this deeper feature (Bridas) have recently yielded a significant discovery approximately 2.5km to the NE.

Grand Gulf has a 10.5% working interest in the West Klondike Prospect which covers an area of 640 acres in Iberville Parish, Louisiana. This prospect will be drilled to a total depth of 10,900ft.

The Company's share of the initial well costs is 14% (~US\$450,000) of the total (including entry costs). In a success case the Company's share of completion costs are estimated to be a further US\$65,000.

PRODUCTION ASSETS

Abita Development Update

Non Operator 20%WI (15% after payout) 350-700 BBLs / 8 BCFG

The field is being operated by Clayton Williams Energy Inc (NASDAQ: CWEI) in Plaquemines Parish, Louisiana. The well commenced producing on 18 March 2012 with initial production from the 30 Sand being brought on stream at ~900 MCFD and 25 BCD with no water and flowing tubing pressure of 2,995 psi on a 6/64 inch choke. CWEI completed operations to repair a leaking seal above the 30 sand which was hindering production. Rough seas have limited the Operator's ability to get to facilities and slowed repair work. Currently, Hurricane Isaac has required the facilities to be battened down. The Operator expects to update partners shortly with flow results.

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 estimates.