

# QUARTERLY REPORT

For Quarter ending 31 DECEMBER 2012



## HIGHLIGHTS

- Desiree Discovery (35.6% WI) – Electric Logs confirmed net pay of 80ft in Cris R II & III. Well has been completed and awaiting unitization approval prior to testing. Post drill estimates indicate total reserves of ~1 MMBO and .4 BCFG.
- West Klondike (10.5% WI) – Electric Logs confirmed net pay of 46ft over three intervals. Well has been completed and awaiting operator to determine testing program.
- Port Hudson (15% WI) – Presently drilling ahead at 6,314ft. GGE has 15% WI of a low risk, low cost development well targeting 400,000 – 700,000 bbls oil.
- Dugas & Leblanc #3 (40% WI) is presently producing at 180 bopd, 285 mcfg per day and 75 bbls of water per day (representing net monthly revenue of ~US\$150,000 after operating costs).
- Abita well, SL 19706 #1 (20/15% WI) - workover rig has completed operations and well is presently producing 1.3 mmcf/d and 30 BCD from the 19 sand while cleaning up.
- S Welsh (10%WI) – Well was plugged and abandoned prior to reaching TD, well presently being reassessed to determine whether to re-drill.

ASX Codes:	GGE / GGEO
Share Price:	0.4c / 0.1c
Shares	3,739m
Listed Options	1,469m (1.5c)
Mkt cap	\$15.2m

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

## DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
S Welsh	Under review	50 MBO	-
Port Hudson	Drilling	40-75 MBO	-
Louise	1 <sup>st</sup> Qtr 13	130 MBO	-
Total		220-225 MMBO	-

## PRODUCTION AND DEVELOPMENT PROGRAM

D&L#3	Prod.	160 MBO	0.5 BCF
Abita	Prod.	60-120 MBO	1.0 BCF
Desiree	Testing	356 MBO	0.14 BCF
W. Klondike*	Testing	210-500 MBO	0.6-1.7 BCF
Total		786-1,136 MBO	2.24-3.34

\* West Klondike is yet to test exploration targets in the Marg Tex and Lario, these resources represent up to 400 MBO net see below.

## Activity

- Two substantial discoveries in Desiree & West Klondike to be tested
- Drilling Port Hudson
- Abita production recommenced
- Quarterly production at 7,775 bbls oil and 13,544 mcfg.

## Energy Prices

Brent	US\$110.61 (BBL)
Nymex	US\$3.60 (MMBTU)

## Major Shareholders

Charles Morgan	20.25%
Craig Burton	13.35%



## PRODUCTION AND DEVELOPMENT ASSETS

Total net share of gas and oil production for the quarter was:

	Jun Qtr	Sep Qtr	Dec Qtr
Oil (bbls)	12,062	10,960	7,775
Gas (mcf)	48,249	25,364	13,544
% Oil Equ.	89%	94%	95%

### Abita Development Update

**Abita, Plaquemines Parish, Louisiana, Non Operator 20%WI (15% after payout) 350-700 BBLS / 6 BCFG,**

Clayton Williams Energy Inc (NASDAQ: CWEI), the operator has advised that the well is presently cleaning up whilst producing 1.3 mmcf and 30 barrels of condensate per day with flowing tubing pressure of 2,700 psi. The Company anticipates an increase in liquids as the gas draws down.



Abita Facilities



D&L3 Facilities

### Desiree Discovery

**Desiree, Assumption Parish, Louisiana, Non Operator 35.6%**

The Company advises that the Hensarling #1 well reached a TVD of 12,455ft in mid December 2012. Electric logging operations confirmed net pay of 31ft of pay in the Cris R II and 49ft in the Cris R III sands.

The Desiree Prospect covers an area of 140 acres in Assumption Parish, Louisiana and is being operated by a private US oil and gas company. The operator is the same partner that is managing the Napoleonville Salt Dome project.

Gross post drill reserves are estimated to be 952,000 bbls oil and 0.4 BCFG in the Cris R II & III representing a substantial and significant discovery for the Company.

The well has been completed and is ready for testing following completion of unitization. The unitization process is expected to be completed in May 2013.

Partners in the Hensarling #1 well:

Grand Gulf Energy Ltd (ASX: GGE)	35.6% WI
Golden Gate Petroleum Ltd (ASX: GGP)	3.9% WI
Other Partners et al	60.5% WI

### West Klondike Discovery

**West Klondike, Iberville Parish, Louisiana, Non Operator 10.5% WI**

The Company advises that the Wilberts Sons LLC #1 well reached a TVD of 10,900ft during the quarter with electric logging operations confirming net pay of 4ft in the Lario sands, 6ft of net pay in the U Nod Blan and 35ft of net pay in the L Nod Blan sands.

The well has been completed and testing is anticipated to commence within the next 4-6 weeks. The operator is also evaluating methods to undertake through-casing reservoir testing of the Lario Sand as it represents significant pay potential. The Klondike field to the immediate east produced 3.8 MMBO and 54 BCFG from the Lario sand.

The partners interpret that the Marg Tex and Lario sections were intersected in a downthrown block separated from the main prospect structure by a fault. This means both objectives are yet to be evaluated in the main prospect structure and remain attractive undrilled prospects. The pre-drill resource estimate of the Marg Tex was a compelling 3.62 MMBO's oil. In addition, the Lario may hold 0.38 MMBO. Accordingly, a new well into these objectives in the main prospect structure would target a gross 4 MMBO's potential resource. There is also a larger, separate, high pressure, deeper prospect in the leased area that may be able to be drilled with the same well. The target sands of this deeper feature (Bridas) have recently yielded a significant discovery approximately 2.5km to the NE.

An update on likely ranges of reserves will be provided in due course. A summary of the reservoirs characteristics is provided below:

Depths	Sand	Net Pay	Hydrocarbons	Description
10,330-10,350	Lario	4ft	Oil	18-20% porosity appears tight
10,518 – 10,524	U Nod Blan	6ft	Condensate/gas	Good porosity
10,616-10,661	L Nod Blan	35ft	Oil/gas	Good porosity

The West Klondike Prospect covers an area of 640 acres in Iberville Parish, Louisiana. 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 well has intersected pay in the Lario and Upper and Lower Nod Blan.

The ASX participants in the West Klondike Prospect are as below:

Grand Gulf Energy Ltd (ASX: GGE)	10.5% WI
Tamaska Oil & Gas Ltd (ASX: TMK)	10.2% WI
Other Partners et al	79.3% WI

## EXPLORATION ASSETS

### Port Hudson

**Port Hudson, E. Baton Rouge, Louisiana, Non Operator, 15% WI**

The Port Hudson #1 well is presently drilling ahead at 6,314ft. The well will be drilled to a total depth of 10,500ft straight hole. The well is expected reach TD over the next 2 weeks.

The Company has a 15%WI in this low risk development project with an estimated resource of 500,000 bbls of oil. This Project is located in East Baton Rouge Parish, Louisiana in the Port Hudson Field (810 BCFG & 92 MMBO). The well is targeting multiple Upper Wilcox sands that have produced up to 1 MMBO from several nearby analogs.

The prospect was generated from reprocessed, proprietary seismic data. The sand deposition is relatively uniform in the area with multiple individual sands ranging in thickness from 10-25ft.

The potential net reserves to Grand Gulf are 40,000-75,000 bbls of oil. Flow rates are estimated at 200-250 BO/d. The net revenue interest is 74%.

The Company's share of dry hole well costs is estimated at US\$240,000. In a success case, the Company's share of completion and facilities costs is estimated to be a further US\$70,000. Pipeline facilities are present in the area and the well is likely to be put on production within 2 months of completion.

### S WELSH PROSPECT

**S Welsh, Jeff Davis Parish, Louisiana, Non Operator, 10.5% WI**

The Calloway #1 was drilled during the quarter but developed drilling complications due to a significant influx of gas into the wellbore. The well was subsequently 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 on turnkey rate the 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.

**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 37 and 31 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.



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**GRAND GULF ENERGY LTD**

ABN

**22 073 653 175**

Quarter ended ("current quarter")

**31 December 2012**

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date \$A'ooo
1.1	Receipts from product sales and related debtors	970	2,100
1.2	Payments for (a) exploration & evaluation	(1,158)	(3,007)
	(b) development	(192)	(354)
	(c) production	(271)	(663)
	(d) administration	(195)	(334)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	2
1.5	Interest and other costs of finance paid	-	-
1.6	Insurance pre-payment (refundable)	-	-
1.7	Other (escrow of revenue)	-	(137)
<b>Net Operating Cash Flows</b>		<b>(844)</b>	<b>(2,393)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects	0	(93)
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
<b>Net investing cash flows</b>		<b>-</b>	<b>(93)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(844)</b>	<b>(2,486)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(844)	(2,486)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Costs of Capital	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(844)	(2,486)
1.20	Cash at beginning of quarter/year to date	2,097	3,816
1.21	Exchange rate adjustments to item 1.20	(13)	(90)
1.22	<b>Cash at end of quarter</b>	<b>1,240</b>	<b>1,240</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	248
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments include consulting and directors fees, fully serviced office and provision of an Accountant & Legal Secretary.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.



## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
4.3 Production*	180
4.4 Administration	195
<b>Total</b>	<b>775</b>

\* Production costs are primarily a % of revenue and reflect royalties and state taxes. Operating costs for the quarter make up 3% of production costs.

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,240	2,097
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,240</b>	<b>2,097</b>

## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed				

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity quarterly report

6.2 Interests in mining tenements acquired or increased

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### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> (description)				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>*Ordinary securities</b>	3,739,993,494	3,739,993,494		Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	<b>*Convertible debt securities</b> (description)				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	<b>Options</b> Unlisted Options	6,000,000 1,000,000 40,000,000 75,000,000 90,000,000		Exercise price \$0.04 \$0.05 \$0.009 \$0.009 \$0.006	Expiry date 5 June 2013 24 Nov 2013 15 Mar 2014 6 May 2014 30 Nov 2013
	Listed Options	1,469,358,452	1,469,358,452	\$0.015	30 June 2013

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				
7.13	Partly paid shares				

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 23/01/20123  
(Director/Company secretary)

Print name: Mark Freeman

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

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+ See chapter 19 for defined terms.

- 3      **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4      The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5      Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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