



17 January 2013

PORT HUDSON SPUDED DRILLING UPDATE 1

- Port Hudson well has spud and is drilling ahead at 2,023ft to a planned TD of 10,500ft. The well is expected to be drilled over the next 3 weeks.
- The Company owns a 15%WI of an estimated resource of up to 500,000 bbls of oil in a low risk development project. The well is designed to encounter several U Wilcox sands on a 160 acre feature.
- Located in E Baton Rouge Parish, Louisiana in the Port Hudson Field (810 BCFG & 92 MMBO)
- Initial production is expected to be 250 bbls oil per day.
- Low cost turnkey normal pressured straight hole well of \$1,200,000 dry hole costs (GGE share \$232k).
- Project generated from re-processed data on proprietary seismic.
- Sand deposition is uniform in the area.

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
Desiree	Testing	280-360 MBO	5-11
S Welsh	Suspended ops	50 MBO	-
W. Klondike	Testing	210-500 MBO	0.6-1.7 BCF
Port Hudson	Drilling	40-75 MBO	-
Louise	First Qtr 2013	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

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ASX Codes

GGE (3,739m)

GGEO (1,469m)



Port Hudson Prospect

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

The Board is pleased to advise that the Port Hudson #1 well has spud and is presently drilling ahead at 2,023ft. The well will be drilled to a total depth of 10,500ft straight hole. The well is expected to be drilled over the next 3 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 produce in several productive analogs. Production from these analogs is up to 1,000,000 bbls of oil.

The Project was generated from re-processed, proprietary seismic. The sand deposition is uniform in the area targeting multiple individual sands ranging in thickness from 10-25ft.

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

The well is being drilled on a turnkey basis with the Company's share of dry hole well costs fixed at US\$232,000. 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.

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.

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.