



27 August 2012

LEDUC REEF DRILLING UPDATE 1

HIGHLIGHTS

- Dickens No 1 was spud on 26 August 2012, Houston time and is expected to take 21 days to drill
- 22%WI of 1.2 – 12 million barrel oil potential resource, located in Fayette County, Arkansas
- Prospect is targeting a reef structure located along a basement ridge, which is ideal for carbonate buildups
- Secondary objectives are the Lower Smackover 'Brown Dense' limestone
- Low cost normal pressured well (GGE share \$335k)
- Project generated from proprietary 3D seismic

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

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)



Leduc Reef Prospect,

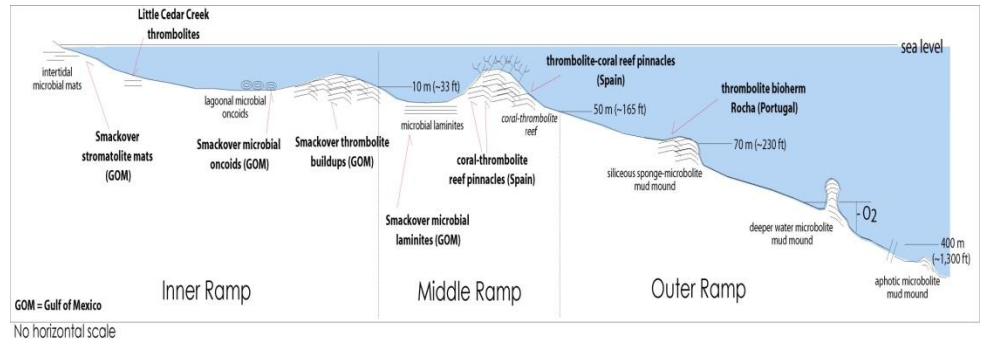
Dickens #1, Leduc Reef, Fayette County, Arkansas, 22%WI, Non Operator

The Board is pleased to announce that the Dickens #1 was spud on 26 August 2012, Houston time. The well is expected to be drilled within 3 weeks.

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. The well is expected to take 21 days to drill. 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 mmbbl 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 AML 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%.

Mark Freeman
Managing Director
Phone +61 8 9389 2000

For more information visit www.grandgulfenergy.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, Arkansas and Texas.

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.