



3 December 2012

S WELSH DRILLING UPDATE 3

- S Welsh Prospect, Calloway #1 well, is drilling ahead at 7,206ft. The well is to be drilled to a TD of 7,500ft. The well has crossed the fault setting up the prospect and is now drilling through the objective interval as planned.
- The Company owns a 10.5%WI of an estimated resource of upto 450,000 bbls of oil in a low risk project approximately 250ft high to a well which produced 335,000 bbls of oil and associated gas. The well is designed to encounter the Marg Tex formation.
- Located in Jeff Davis Parish, Louisiana within the Welsh Field (produced 90 MMBO and 100 BCFG).
- Low cost turnkey normal pressured straight hole well of \$1m dry hole costs (GGE share \$145k).
- Project is an up-thrown 3-way trap on the flank of deep seated salt structure generated from subsurface well information and 3D seismic.
- Sand deposition is uniform with the downdip well logging 150ft of sand.

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
Desiree	Drilling	280-360 MBO	5-11
S Welsh	Drilling	50 MBO	-
W. Klondike	Drilling	210-500 MBO	0.6-1.7 BCF
Port Hudson	Dec 12	40-75 MBO	-
Louise	Dec 12/Jan 13	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

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)



S Welsh Prospect

S Welsh, Jeff Davis Parish, LA, 10.5% WI, Non Operator

The Board is pleased to advise that the Calloway #1 is presently drilling ahead at 7,206ft. The well will be drilled to the planned TD of 7,500ft. The well has crossed the fault setting up the prospect and is now drilling through the objective interval as planned.

The Company has a 10.5%WI in this low risk development project with an estimated resource of 450,000 bbls of oil.

The S Welsh project is located in Jeff Davis Parish, Louisiana on the SW flank of Welsh Field (90 MMBO & 100 BCFG). The well is targeting Marg Tex sands 250ft updip to a well that produced 335,000 bbls of oil. Including the adjacent fault blocks, the Marg Tex sands have produced over 1,000,000 bbls of oil from 4 wells. The proposed well is the highest location relative to these wells.

The project was generated from 3D seismic, reservoir study and subsurface mapping and is an up-thrown 3-way trap. The sand deposition is uniform in the area with the downdip well logging a combined 150ft of sand over three sands. The potential net resources to Grand Gulf are estimated at 45,000 bbls of oil representing a low risk development project. Gross flow rates are estimated at 200-300 bbls oil per day. The net revenue interest is 75%.

The well is being on a turnkey basis to a total depth of 7,500ft straight hole. The Company's share of well costs is US\$145,000 which were paid in September. In a success case, the Company's share of completion and facilities costs is estimated to be a further US\$72,000. 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 Producing and Exploration Projects 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 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.