

# QUARTERLY REPORT

For Quarter ending 30 SEPTEMBER 2012



## HIGHLIGHTS

- Desiree – Rig is on location with well due to spud shortly. Desiree is targeting up to 1 million bbls oil and 30 BCF gas.
- S Welsh – Location is complete, operator has been advised rig will be on location in 14-21 days. S Welsh is targeting up to 450,000 bbls oil.
- West Klondike – Location work has commenced. Operator has secured a turnkey contract with spud anticipated within 8 weeks. West Klondike is targeting up to 2-4.8 MMBC / 6-17 BCFG.
- Port Hudson – Spud is anticipated during December 2012. GGE has 15% WI of a low risk, low cost development well targeting 400,000 – 700,000 bbls oil.
- Dugas & Leblanc #3 is presently producing at 250 bopd, 600 mcfg per day and 40 bbls of water per day (representing net monthly revenue of US\$230,000 after operating costs).
- Abita discovery well, SL 19706 #1, platform repair work is near on completion and well is expected to be retested within 14 days.
- Leduc Reef & Austin Bayou – Both wells were drilled and logged during the quarter. Unfortunately the electric logging confirmed that commercial recovery was unlikely and the wells be plugged and abandoned.

ASX Codes:	GGE / GGEO
Share Price:	0.3c / 0.1c
Shares	3,739m
Listed Options	1,469m (1.5c)
Mkt cap	\$11.4m

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)
Desiree	Oct 12	330-410 MBO	6-12.5
W. Klondike	Nov 12	210-500 MBO	0.6-1.7 BCF
S Welsh	Nov12	50 MBO	-
Port Hudson	Dec 12	40-75 MBO	-
Louise	Jan 13	130 MBO	-
Total		760-985 MMBO	6.6-14.2 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

### Activity

- Desiree, S Welsh, West Klondike and Port Hudson due to spud this quarter.
- Abita production due to recommence in 2 weeks.
- Quarterly production at 11,696 bbls oil equivalent.

### Energy Prices

Brent	\$109.74 (BBL)
Henry Hub	\$3.34 (MMBTU)

### Major Shareholders

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



## PRODUCTION ASSETS

The Company's share of production for the quarter was 11,696 barrels of oil equivalent.

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

	Mar Qtr	Jun Qtr	Sep Qtr
Oil (bbls)	10,375	12,062	10,960
Gas (mcf)	35,009	48,249	25,364
% Oil Equ.	95%	89%	94%

## DUGAS & LEBLANC #3 "M" SAND

**Napoleonville- Dugas & Leblanc #3 Well, Assumption Parish, Louisiana, Non Operator 40% WI**

The D&L#3 "M" sand was successfully perforated and placed on production on 18 October 2011 with initial flow rates of 160 BOPD, 1,150 MCFD and 16 BSWPD from a 9/64 inch choke. The well is presently producing at 250 BOPD, 600 MMCFD and 40 BSWPD through a 10/64 inch choke. The well is presently producing consistently with expectations and monthly revenue net to the Company is ~ US\$230,000 after royalties and operating costs. For oil sales in Louisiana the Company receives a posting associated with Brent and not WTI, accordingly GGE receives a premium to WTI.

The recent ingress of water has resulted in a modest reduction in the reserves to 325,000 bbls oil and 975,000 MCF gas. All production is presently being processed through existing facilities.

## 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. Hurricane Isaac caused some damage to the platform. Platform repairs are nearing completion and the well is anticipated to be tested within the next 14 days.



Abita Facilities



D&L3 Facilities

## EXPLORATION ASSETS

### Desiree Prospect & Napoleonville Update, Non Operator

#### Desiree, Assumption Parish, LA, 35.6%

The Company is pleased to advise that the location at Desiree, Hensarling #1, has been completed and the rig is on location with the well to spud shortly. The Desiree Prospect covers an area of 140 acres in Assumption Parish, Louisiana and is being operated by a large US GOM Oil and Gas Company. The operator is the same partner that is managing the Napoleonville Salt Dome project.

This well will be drilled to a total depth of 12,550ft. The Company's net share of dry hole costs is ~US\$1.1m (total drilling costs are US\$3.6m). The Company's share of drilling costs were paid in September.

The Primary objectives are the Cris R II and III which have the potential for 600,000 - 800,000 bbls of oil and secondary objectives in the Cris R IV and V (200,000 bbls oil and 15-30 BCF gas).

The well is updip and 270ft from the largest producer in the Napoleonville Field (2.3 MMBO – Cris R II & III) which was abandoned at low oil prices with split casing while still producing 100 bbls per day (collectively from Cris R II and III). If successful, the project offers long life reserves, with IP's of 400-800 bbls per day and will have a substantial positive cash flow and reserve impact on the Company.

This is a proven productive fault block with a strong water drive in the primary objectives. The prospect has a significant oil column and long life production potential and was generated from 3D seismic and subsurface support for updip attic structure.

#### Napoleonville, 21.9%WI Project Restructure

During the quarter the Company increased its working interest in all future Napoleonville projects from 17.5% to 21.9%. The Company will be liable for 17.5% of drilling costs on the first two wells. Reprocessing of the time seismic data has been finalized and depth modelling has commenced. This includes building an accurate edge of salt model. Upon finalization of the depth model, several prospects are anticipated including high potential deeper plays. The first prospect, Louise, has been designated under the JV.

#### Louise, Assumption Parish, LA, 21.9%

The Louise Prospect is a well designed to capture Cris R IV oil. This well will be drilled to a total depth of 11,900ft TVD. The Company's net share of dry hole costs is estimated at ~US\$620,000. The Primary objective is the Cris R IV which has the potential for 600,000 bbls of oil and secondary objectives in the Marg A Strat Sand and secondary Cris R sands. The prospect was generated from 3D seismic and subsurface support for updip attic structure.

The well is in a proven fault block which has produced 2.3 MMBO / 10.5 BCF. Proposed location is 380ft updip to Cris R IV oil production in a water drive reservoir. If successful, the project offers long life reserves, with IP's of 400 bbls per day and will have a substantial positive cash flow and reserve impact on the Company. The operator is looking to spud the well in January 2013.

## S WELSH PROSPECT

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

The Board advises that location work at S Welsh has been completed. A rig has been secured and is expected on location within 2-3 weeks. 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 expected to be drilled on a turnkey basis to a total depth of 7,500ft straight hole. The Company's share of well costs is estimated at US\$145,000 and 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.

## West Klondike Prospect

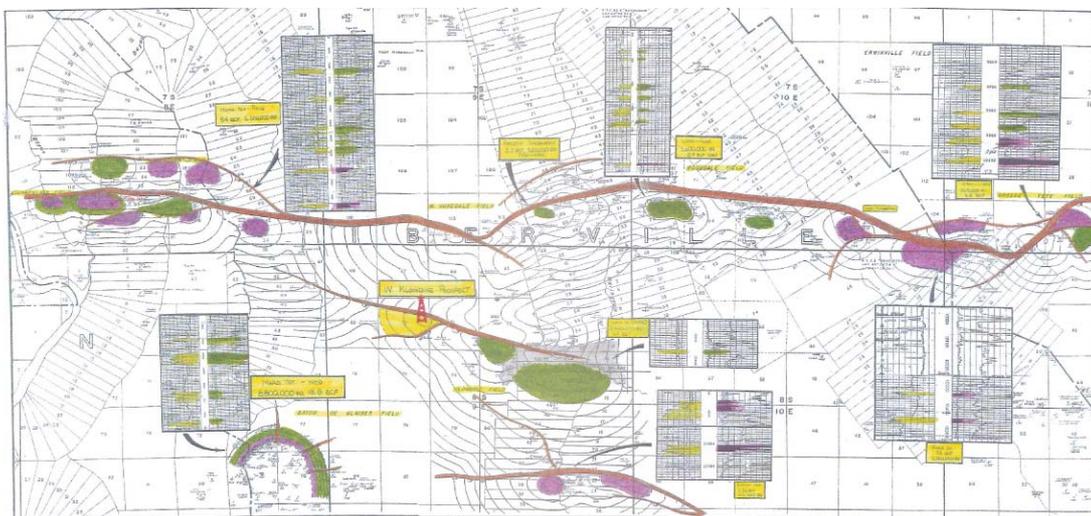
### Non Operator 10.5% WI

The Operator of West Klondike has confirmed they are presently building location and anticipate to spud in December 2012. The Operator has secured 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\$460,000) to TD. In a success case the Company's share of completion costs are estimated to be a further US\$65,000.



## Port Hudson

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

During July 2012 the Company acquired a 15% WI of Port Hudson, a low risk, normally pressured development oil project.

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 are productive in several 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 with the well 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 will be drilled to a total depth of 10,500ft straight hole. The Company's share of dry hole well costs is estimated at US\$160,000. In a success case, the Company's share of completion and facilities costs is estimated to be a further US\$70,000. The well is due to spud in December 2012. Pipeline facilities are present in the area and the well is likely to be put on production within 2 months of completion.

## LEDUC REEF

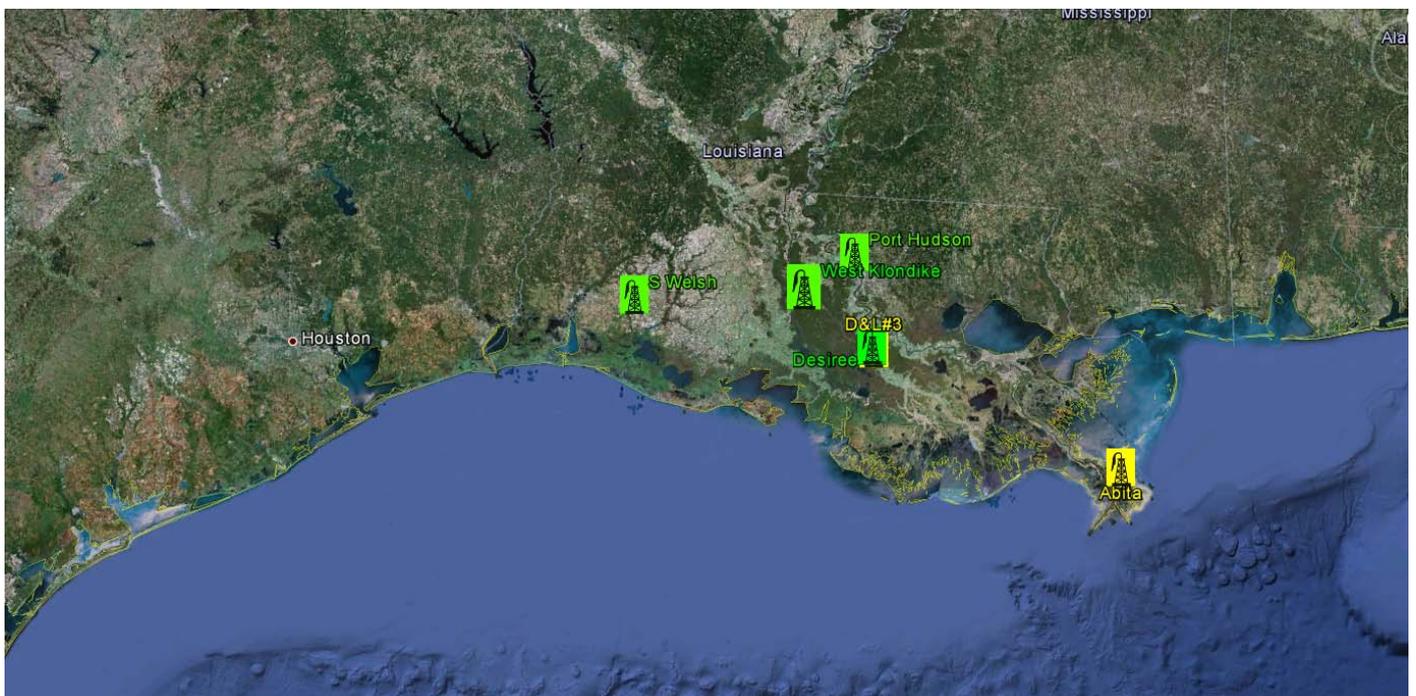
Dickens No 1 was spud on 26 August 2012 and reached TD of 8,500ft on 20 September 2012. The well has been logged and unfortunately the electric logging confirmed that commercial recovery was unlikely and the operator has proposed the well be plugged and abandoned.

## AUSTIN BAYOU

HRI Well No 1 was spud on 2 July 2012 and reached TD of 11,330ft on 11 August 2012. The well has been logged and unfortunately, although the well intersected potential oil and gas accumulations the electric logging confirmed that commercial recovery was unlikely and the operator has proposed the well be plugged and abandoned.

**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.



# 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")

30 September 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	1,130	1,130
1.2 Payments for (a) exploration & evaluation	(1,849)	(1,849)
(b) development	(161)	(161)
(c) production	(392)	(392)
(d) administration	(139)	(139)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Insurance pre-payment (refundable)	-	-
1.7 Other (escrow of revenue)	(137)	(137)
<b>Net Operating Cash Flows</b>	<b>(1,547)</b>	<b>(1,547)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	(93)	(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>(93)</b>	<b>(93)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,640)</b>	<b>(1,640)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(1,640)	(1,640)
	<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>	(1,640)	(1,640)
1.20	Cash at beginning of quarter/year to date	3,816	3,816
1.21	Exchange rate adjustments to item 1.20	(79)	(79)
1.22	<b>Cash at end of quarter</b>	<b>2,097</b>	<b>2,097</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	180
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	450
4.2 Development	-
4.3 Production*	300
4.4 Administration	140
<b>Total</b>	<b>890</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	2,097	3,816
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>2,097</b>	<b>3,816</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	Desiree Held through subsidiary	40.85%	35.6%

+ See chapter 19 for defined terms.

## Appendix 5B Mining exploration entity quarterly report

6.2	Interests in mining tenements acquired or increased	S Welsh	Held through subsidiary	o	10.5%
		Port Hudson	Held through subsidiary	o	15%

### 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		Exercise price	Expiry date
		13,775,000	\$0.04	2 Dec 2012
		6,000,000	\$0.04	5 June 2013
		1,000,000	\$0.05	24 Nov 2013
		40,000,000	\$0.009	15 Mar 2014
		75,000,000	\$0.009	6 May 2014
		90,000,000	\$0.006	30 Nov 2013
	Listed Options	1,469,358,452	\$0.015	30 June 2013

+ See chapter 19 for defined terms.

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: 24/10/2012.....  
(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.

## Appendix 5B

### Mining exploration entity quarterly report

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- 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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