



Grand Gulf Energy Limited

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ASX GGE

ASX/Media Release

23 October 2008

Quarterly Activity Report for the Quarter Ended 30 September 2008

Grand Gulf Energy Limited (ASX: GGE) (Grand Gulf) is pleased to provide its Quarterly Activities Report for the quarter ended 30 September 2008.

Highlights for the quarter and subsequently:

Operations Highlights:

- Net production was 40.6 mmcfe, including oil and liquids, for the September Quarter.
- Drilled and completed Ashby #12-29 in August in Custer County, Oklahoma.
- The Patman A-1 & B-1 wells in Jackson County, Texas, were turned into production in first week of August after waiting on Hurricane Dolly.
- The Foothills Joint Venture drilled the Caldwell #1-12, the Jeanne Reed #1-15 and the Reed #4-9. The JV will drill three further wells by year end.
- At the Napoleonville Salt Dome, the Dugas & LeBlanc #1 is being permitted to test three objectives to a total depth of 9,000 ft in November. The reserves are estimated between 5 and 25 Bcf with a targeted initial rate between 3 and 5 mmcf per day.

Corporate Highlights:

- Completed a \$50 million credit Facility Term Sheet with Macquarie Bank in April, drawing down \$1.2 million in October.

OPERATIONS

Oklahoma

Foothills

The Joint Venture with Foothills Minerals in which Grand Gulf Energy has various interests in 20 producing wells, 3 wells were drilled in the September quarter the Donald Caldwell #1-12 (10.0%), the Jeanne Reed #1-15 (6.7%) and the Reed #4-9 (10.0%) all within its 3D seismic area in LeFlore County, Oklahoma. The rig will return to the field in November to drill 3 wells before the end of the year. Please refer to Monthly Operations Reports and Drilling Updates lodged for more information. Grand Gulf's plans are to participate in the drilling of up to eight wells in this area in 2009 with at least one being a horizontal well in the Red Oak Sand.

Custer County



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Grand Gulf has an interest in 16 producing wells that are completed in the Skinner Formation operated by Noble Energy. One new well was drilled in the September quarter of 2008. The initial producing rate for each well exceeded 1 mmcf per day and over 50 bopd.

Louisiana

Napoleonville Salt Dome

Grand Gulf has a 26.3% interest in the Napoleonville Salt Dome project. The processing on the 50.4 square mile 3D shoot, which encompasses some 28,000 gross lease optioned acres and 6,000 gross permitted acres, was completed in November 2007. To date the JV has identified over 90 specific "leads" with rough scoping maps and preliminary volume estimates. Grand Gulf is very encouraged by what it is seeing in the data at this early stage. The company plans to participate in the drilling of 2 wells in this area in 2008, the first, Dugas & LeBlanc is being permitted to 9,000 ft to test the Big Hum and Operc Sands with an estimated potential of 25 BCF of gross reserves based on AVO and structural interpretations. It is expected to begin drilling in late November or early December depending on rig availability. The second well, the Pierre Landry #1 is expected to be drilled right after the Dugas & LeBlanc #1.

Texas

Grand Gulf has participated in drilling two wells at Francitas Field as well as completed the production infrastructure and water injection well prior to bringing the wells on line. These well were turned into sales in August with a gross rate of 20 bopd and 900 barrels of water per day with a modest amount of associated gas.

I am visiting Australia on a regular basis and would be pleased if you contact me to discuss the Company's activities. In the meantime, I encourage you to join our email update list at www.grandgulfenergy.com to ensure that you are kept abreast of our progress.

James M. Trimble
Managing Director & Chief Executive Officer

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For more information visit www.grandgulfenergy.com and sign up for email news.

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

GRAND GULF ENERGY LIMITED

ABN

22 073 653 175

Quarter ended ("current quarter")

30 Sept 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	314	314
1.2 Payments for (a) exploration and evaluation	(1,642)	(1,642)
(b) development	-	-
(c) production	-	-
(d) administration	(374)	(374)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	11
1.5 Interest and other costs of finance paid	(22)	(22)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,714)	(1,714)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(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)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(1,714)	(1,714)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,714)	(1,714)
	Cash flows related to financing activities		
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	Other – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,714)	(1,714)
1.20	Cash at beginning of quarter/year to date	2,412	2,412
1.21	Exchange rate adjustments to item 1.20	249	249
1.22	Cash at end of quarter	947	947

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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	119
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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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

On 11 September 2008 Grand Gulf Energy Limited wholly owned subsidiary, Grand Gulf Energy Inc. (USA) and Macquarie Bank Limited (Macquarie) entered into a Working Capital Facility Agreement. On execution of the agreement Grand Gulf Energy Limited issued 45,000,000 options to acquire ordinary shares to Macquarie and received access to an initial borrowing base of \$2,500,000. The value of the options was \$460,000.
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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

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available	Amount used
3.1 Loan facilities	USD 2,500,000	USD 530,000
3.2 Credit standby arrangements		

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,455
4.2 Development	-
Total	1,455

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	947	2,412
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	947	2,412

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			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 Preference securities <i>(description)</i>	N/A	N/A		
7.2 Changes during quarter	N/A	N/A		
7.3 +Ordinary securities	302,856,627	287,989,873		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	N/A	N/A		
7.6 Changes during quarter	N/A	N/A		
7.7 Options Unlisted options	6,500,000 1,875,000 500,000 1,000,000 1,706,250 1,771,875 1,771,875 750,000 750,000 1,000,000 1,000,000 500,000 1,625,000 4,875,000 1,200,000 900,000 900,000 45,000,000 74,464,156	- - - - - - - - - - - - - - - - - - - -	<i>Exercise price</i> \$0.08 \$0.20 \$0.32 \$0.40 \$0.20 \$0.24 \$0.28 \$0.25 \$0.30 \$0.08 \$0.10 \$0.08 \$0.075 \$0.075 \$0.08 \$0.10 \$0.12 \$0.04 \$0.06	<i>Expiry date</i> 31 Dec 2008 31 Dec 2008 31 Dec 2008 31 Dec 2008 31 Oct 2008 30 Nov 2008 31 Dec 2008 31 Dec 2008 31 Dec 2008 31 Dec 2010 31 Dec 2010 27 Dec 2009 03 Jan 2010 26 Jun 2010 31 Dec 2010 31 Dec 2010 31 Dec 2010 18 Sep 2012 28 Feb 2009
7.8 Issued during quarter	45,000,000	-	\$0.04	18 Sep 2012
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	N/A	N/A		

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)	N/A	N/A
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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:
(Director/Company secretary)

23.10.08
Date:

Print name:MARK PITTS.....

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.
- 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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