



## Grand Gulf Energy Limited

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ABN 22 073 653 175

ASX GGE

ASX/Media Release

30 January 2009

# Quarterly Activity Report for the Quarter Ended 31 December 2008 & Placement Announcement

Grand Gulf Energy Limited (ASX: GGE) (Grand Gulf) is pleased to provide its Quarterly Activities Report for the quarter ended 31 December 2008.

Highlights for the quarter and subsequently:

### **Operations Highlights:**

- Net production was 44.5 mmcf for the December Quarter.
- The Foothills Joint Venture has drilled the Robert Kimball #1-19 and is waiting on frac equipment, expected this weekend. The Dog Creek Ranch #2-18 has reached total depth of 9,700 ft and has logged 20 ft of net pay. The JV is expected to drill eight wells in calendar year 2009 commencing in the second half of the year.
- At the Napoleonville Salt Dome Project, the location at Dugas & LeBlanc #1 is complete and the rig is moving in next week. The well will test three objectives to a total depth of 9,000 ft. Potential reserves are estimated at up to 25 Bcf from three different sands with a targeted initial rate of 5 mmcf per day. The second well, Landry #1, will be drilled immediately after the Dugas & LeBlanc #1 to a depth of 6,500 ft with potential reserves of 3 Bcf.
- Internal reserves estimates for the year ending 2008 are 1P (Proven) 35 Mbo and 4.8 Bcf with PV10 A\$7,628,200 and 2P (Probable) 99.7 Mbo and 1.5Bcf with PV10 A\$3,179,900, based on December average price of \$5.75 per mcf of gas and \$50.00 per barrel of oil.

### **Placement:**

Grand Gulf announces its intention to place up to 100,000,000 shares at a price of \$0.01 subject to shareholders' approval. The funds raised will be used for further drilling at the Napoleonville Salt Dome project and for general working capital purposes.

Grand Gulf will issue a Notice of Meeting as soon as possible to approve the following:

1. A placement of up to 100,000,000 shares at a price of \$0.01;
2. Directors being able to participate on the basis of approximately one for three relative to their shareholdings.
3. Directors taking shares at \$0.1 in lieu of fees and salaries for the first half of 2009.



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Applications from Shareholders will rank ahead of all other applications for amounts of up to one third of their existing shareholdings.

Grand Gulf will lodge a prospectus prior to the shareholders' meeting with an intended opening date of the day after the meeting.

### **Asset Sale:**

Grand Gulf has mandated a specialist oil and gas acquisition and divestment group in Houston to seek a buyer for its Oklahoma assets. Grand Gulf has built up substantial reserves in Oklahoma over the last two years but with the maturing of the prospect portfolio at its Napoleonville Salt Dome Project it believes that its funds would be better invested in drilling wells at Napoleonville.

A number of parties are currently assessing the Oklahoma assets.

## **OPERATIONS**

### **Oklahoma**

#### **Foothills**

The Joint Venture with Foothills Minerals in which Grand Gulf Energy has various interests in 21 producing wells. One well was drilled in the December quarter, the Robert Kimball #1-19 (12.2%) which is being completed in the Atoka A & B Sands. The Dog Creek Ranch #2-18 (4.5%) targeting the Brazil Sands has reached total depth of 9,700 ft and has logged 20 ft of net pay. Both the wells above are within the 3D seismic area in LeFlore County, Oklahoma. The rig will return to the field in the mid 2009, with plans for eight wells for calendar year 2009. Please refer to Monthly Operations Reports and Drilling Updates lodged for more information.

#### **Custer County**

Grand Gulf has various interests in 16 producing wells that are completed in the Skinner Formation operated by Noble Energy. The operator is evaluating the results of the recently drilled wells and plans a drilling program for late 2009.

### **Louisiana**

#### **Napoleonville Salt Dome**

Grand Gulf has a 26.4% 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. The company plans to participate in the drilling of 2 wells in this area in early 2009, the first, Dugas & LeBlanc #1 has been permitted to 9,000 ft to



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test the Big Hum and Operc Sands with an estimated potential of up to 25 Bcf of gross reserves based on AVO and structural interpretations. The well location has been completed and the rig is moving to the location next week. The second well, the Pierre Landry #1 is expected to be drilled right after the Dugas & LeBlanc #1 to a total depth of 6,500 ft with gross potential reserves of over 3 BCF. This location is under construction as well.

### 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](http://www.grandgulfenergy.com) to ensure that you are kept abreast of our progress.

James M. Trimble  
Managing Director & Chief Executive Officer

### For further information contact:

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For more information visit [www.grandgulfenergy.com](http://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")

31 December 2008

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	360	674
1.2 Payments for (a) exploration and evaluation	(1,709)	(3,351)
(b) development	-	-
(c) production	-	-
(d) administration	(316)	(690)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	10	21
1.5 Interest and other costs of finance paid	(64)	(86)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,719)</b>	<b>(3,432)</b>
<b>Cash flows related to investing activities</b>		
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	(2)	(2)
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Macquarie Loan	1,619	1,619
<b>Net investing cash flows</b>	<b>1,617</b>	<b>1,617</b>
1.13 Total operating and investing cash flows (carried forward)	(102)	(1,815)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(102)	(1,815)
	<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	Other – capital raising costs	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(102)	(1,815)
1.20	Cash at beginning of quarter/year to date	947	2,412
1.21	Exchange rate adjustments to item 1.20	413	661
1.22	<b>Cash at end of quarter</b>	1,258	1,258

**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	142
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 ( <b>Macquarie</b> ) 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
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**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 1,793,475
3.2 Credit standby arrangements		

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	1,291
Development	426
<b>Total</b>	<b>1,718</b>

**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	1,258	947
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>1,258</b>	<b>947</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			
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 <b>Preference +securities</b> <i>(description)</i>	N/A	N/A		
7.2 Changes during quarter	N/A	N/A		
7.3 <b>+Ordinary securities</b>	302,856,627	302,856,627		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	N/A	N/A		
7.6 Changes during quarter	N/A	N/A		
7.7 <b>Options</b>			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted options	1,000,000	-	\$0.08	31 Dec 2010
	1,000,000	-	\$0.10	31 Dec 2010
	500,000	-	\$0.08	27 Dec 2009
	1,625,000	-	\$0.075	03 Jan 2010
	4,875,000	-	\$0.075	26 Jun 2010
	1,200,000	-	\$0.08	31 Dec 2010
	900,000	-	\$0.10	31 Dec 2010
	900,000	-	\$0.12	31 Dec 2010
	45,000,000	-	\$0.04	18 Sep 2012
	16,775,000	-	\$0.04	2 Dec 2012
Listed Options	74,464,156	-	\$0.06	28 Feb 2009
7.8 Issued during quarter	16,775,000	-	\$0.04	2 Dec 2012
7.9 Exercised during quarter				
7.10 Expired during quarter	6,500,000	-	\$0.08	31 Dec 2008
	1,875,000	-	\$0.20	31 Dec 2008
	500,000	-	\$0.32	31 Dec 2008
	1,000,000	-	\$0.40	31 Dec 2008
	1,706,250	-	\$0.20	31 Oct 2008
	1,771,875	-	\$0.24	30 Nov 2008
	1,771,875	-	\$0.28	31 Dec 2008
	750,000	-	\$0.25	31 Dec 2008
	750,000	-	\$0.30	31 Dec 2008

+ See chapter 19 for defined terms.

7.11	<b>Debentures</b> <i>(totals only)</i>	N/A	N/A
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	N/A	N/A

## 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: 30.01.09  
(Director/Company secretary)

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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+ See chapter 19 for defined terms.