



## Grand Gulf Energy Limited

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ABN 22 073 653 175

ASX GGE

ASX/Media Release

30 July 2009

## Quarterly Activity Report for the Quarter Ended 30 June 2009

Grand Gulf Energy Limited (ASX: GGE) (Grand Gulf) provides its Quarterly Activities Report for the quarter ended 30 June 2009.

### Operations:

- Net production for the June Quarter was 26,561 MMCFe after property sales.
- Grand Gulf disposed of its LeFlore County, Oklahoma leases and production interests to pay down debt.
- Grand Gulf has completed a re-evaluation of the 26.4% owned Napoleonville Salt Dome project and has developed a number of drillable locations, one has been proposed to the group.
- Grand Gulf has entered into an agreement to sell its 12.5% interests in two wells in Jackson Co, Texas to further reduce its debt.

### Corporate:

- The Directors and Officers intend to take shares in lieu of cash for their fees and salaries for the first 9 months of 2009 at a share price to be approved at a later date.

### **FINANCES**

As previously reported the Company advises that it continues to explore a number of potential transactions which could provide a positive outcome for the Company and its shareholders including:

1. seeking to dispose of its Oklahoma assets – Completed.
2. discussing farmout opportunities and/or sale of part of its Napoleonville Salt Dome interests with a number of parties both in Australia and the USA; and
3. commencing merger discussions with more than one entity with aligned interests.

As previously advised Macquarie Bank will provide a further US\$300,000 (of which Grand Gulf has drawn down US\$150,000 so far) on the basis that Grand Gulf delivers a report on the Napoleonville Salt Dome Project to Macquarie Bank's satisfaction by 30 June 2009 (*completed*) and Grand Gulf has received a binding offer or offers for its interests in Oklahoma (*completed*) and/or Napoleonville by 31 July 2009 for such amounts as would repay Macquarie Bank its



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funds advanced (i.e. US\$2,500,000 plus such other amounts owing up to the extra US\$300,000) or at Macquarie Bank's discretion such amounts as it would be prepared to remain outstanding on the basis that Grand Gulf was able to remedy any outstanding Events of Default. Grand Gulf debt to Macquarie Bank currently stands at approximately US\$1,833,250.

Macquarie bank has today extended its waiver of Events of Default to 15 September 2009 on the same terms as the previous waiver.

At this point Grand Gulf currently has enough cash to continue into September but will need further financing within that time, by a combination of any or all of a sale of its Oklahoma assets, a partial sale of its Napoleonville interests, a sale or merger of the Company or finance from Macquarie Bank and/or another, to continue as a going concern.

Grand Gulf is continuing to pursue all avenues to progress the company and its assets including mergers, farmouts, sale of part of Napoleonville and capital raisings and will report as and when any opportunities mature.

The Company remains hopeful of a positive outcome for one or more of these potential transactions and will report on any progress.

## OPERATIONS

### Oklahoma

#### **Foothills**

Grand Gulf disposed of its interests in Foothills project with an effective date of 1 May 2009.

#### **Custer County**

Grand Gulf has a 3.825% working interest in 12 wells that are producing from the Skinner Formation and operated by Noble Energy. Only one well has been drilled since the June quarter of 2008, due to low gas prices. The company has 4 PUD locations in this prospect.

### Louisiana

#### **Napoleonville Salt Dome**

As previously advised Grand Gulf has carried out its own complete review of the **Napoleonville Salt Dome 3D Project** (26.4%) including a regional review, historic well inventory, play types and prospects and incorporated these into a plan for the project.

Despite the time delays in the project and the failure of Dugas & LeBlanc #1 the review has only increased Grand Gulf's belief in the potential of the project. Grand Gulf's geological and geophysical team has identified unrisks potential of over 500 Bcf gross



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reserves. It has identified a priority list of eight prospects with an average potential of over 50Bcf each. Each of these prospects combines shallower smaller low risk potential with deeper bigger higher risk potential. The first of which, the Henry LeBlanc #1 has been proposed to the group and expect to be drilled in the 4<sup>th</sup> quarter 2009.

Grand Gulf is currently presenting the Napoleonville opportunity to a number of companies with objective of either selling a portion of its interest or attracting a merger party in order to ensure the continued viability of the company.

### Texas

Grand Gulf has 2 wells producing in the Francitas Field. The wells came on line in August of last year and are producing at a gross combined rate of 60 BOPD and 100 MMCFPD of associated gas. Grand Gulf has entered into a Purchase and Sales agreement to sell effectively 1 July 2009, with a close by the end of August. The funds will be used to reduce debt by another \$239,000.

James M. Trimble  
Managing Director & Chief Executive Officer

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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")

30 June 2009

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	74	918
1.2 Payments for (a) exploration and evaluation	(485)	(5,511)
(b) development	-	-
(c) production	-	-
(d) administration	(82)	(957)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	27
1.5 Interest and other costs of finance paid	(31)	(138)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(523)</b>	<b>(5,661)</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	-	17
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Macquarie Loan	185	2,842
<b>Net investing cash flows</b>	<b>185</b>	<b>2,859</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(338)</b>	<b>(2,802)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(338)	(2,802)
	<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>	(338)	(2,802)
1.20	Cash at beginning of quarter/year to date	803	2,412
1.21	Exchange rate adjustments to item 1.20	(207)	648
1.22	<b>Cash at end of quarter</b>	258	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	1
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

<p>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 USD2,500,000. The value of the options was \$460,000. In June 2009, Macquarie provided a further USD300,000 and agreed to an extension of its waiver of Events of Default until 31 July 2009 subject to milestones announced previously. In consideration, Macquarie was issued 6,000,000 four year options exercisable at \$0.005.</p>
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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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+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available	Amount used
3.1 Loan facilities	USD 2,800,000	USD 2,650,000
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	117
Development	80
<b>Total</b>	<b>197</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	258	803
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>258</b>	<b>803</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> Unlisted options	1,000,000 1,000,000 500,000 1,625,000 4,875,000 1,200,000 900,000 900,000 45,000,000 16,775,000 6,000,000	- - - - - - - - - - -	<i>Exercise price</i> \$0.08 \$0.10 \$0.08 \$0.075 \$0.075 \$0.08 \$0.10 \$0.12 \$0.04 \$0.04 \$0.005	<i>Expiry date</i> 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 2 Dec 2012 5 June 2013
Listed Options				
7.8 Issued during quarter	6,000,000	-	\$0.005	5 June 2013
7.9 Exercised during quarter				
7.10 Expired during quarter				
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		

+ See chapter 19 for defined terms.

## 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: 28.07.09  
(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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