



Grand Gulf Energy Limited

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ASX GGE

ASX/Media Release

29 October 2009

Quarterly Activity Report for the Quarter Ended 30 September 2009

Grand Gulf Energy Limited (ASX: GGE) (Grand Gulf) is pleased to provide its Quarterly Activity Report for the Quarter ending 30 September 2009. Highlights for the quarter and subsequently:

Operations:

- Net production for the September Quarter was 180 MMCFe after property sales.
- Grand Gulf has completed a re-evaluation of the 26.4% owned Napoleonville Salt Dome project and has developed a number of drillable locations.
- Grand Gulf has been marketing its 12.5% interests in two wells in Jackson Co, Texas and its interest in the 12 wells in Custer Co, Oklahoma to further reduce its debt.
- The ConocoPhillips #4 has watered out and will be plugged and abandoned in the December Quarter.

Corporate:

- The Directors and Officers intend to take shares in lieu of cash for their fees and salaries for the 12 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 Arkoma Oklahoma assets – Completed.
2. Seek to sell its remaining interest in Oklahoma and Texas to further reduce debt.
3. 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
4. Commencing merger discussions with more than one entity with aligned interests.



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FINANCES Continued

As previously advised Macquarie Bank provided a further US\$300,000 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 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 has paid down its loan to approximately \$1,983,258 to Macquarie Bank at this point. The extension date for the events of default to the loan covenants has been extended to November 15, 2009.

At this point Grand Gulf currently has enough cash to continue into November 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 closed on the disposition of its interests in Foothills project in July 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. No wells were drilled since the September quarter of 2008, due to low gas prices. The company has 4 PUD locations in this prospect. The company is presently in negotiations with the operator to sell its interest in these wells.



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OPERATIONS Continued

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 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 4th 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.

The ConocoPhillips Well #4, Terrebonne Parish, Louisiana (WI 7.5%) ceased producing in October due to high water production and will be plugged and abandoned in the upcoming months.

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.

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 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	75	75
1.2 Payments for (a) exploration and evaluation	(391)	(391)
(b) development	-	-
(c) production	-	-
(d) administration	(104)	(104)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(23)	(23)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(443)	(443)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	925	925
(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	-	-
Net investing cash flows	925	925
1.13 Total operating and investing cash flows (carried forward)	482	482

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	482	482
	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	180	180
1.17	Repayment of borrowings	(925)	(925)
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	Net financing cash flows	(745)	(745)
	Net increase (decrease) in cash held	(263)	(263)
1.20	Cash at beginning of quarter/year to date	258	258
1.21	Exchange rate adjustments to item 1.20	142	142
1.22	Cash at end of quarter	137	137

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	-
1.24	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

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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

+ 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 1,983,258	USD 1,983,258
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	310
Development	220
Total	530

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	137	258
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	137	258

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	Arkoma Basin Oklahoma	All interests disposed	Various	Nil
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	302,856,627		
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	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				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	N/A	N/A		
7.12 Unsecured notes <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: 29.10.09
(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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