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ASX GGE

10 August 2010

Dear Option Holder

ENTITLEMENT ISSUE OF SHARES

Grand Gulf Energy Ltd (GGE or Company) has announced a one (1) for two (2) partially underwritten entitlement issue at an issue price of 1.5 cents per new GGE share (**Entitlement Issue**).

The Entitlement Issue will result in the issue of up to approximately 470,357,099 new GGE Shares and will raise approximately A\$7,055,356 if all entitlements are taken up (based on GGE's undiluted share capital as at the date of this letter). The funds raised will be applied towards:

- to fund exploration activities on the Napoleonville Salt Dome Project in Louisiana, USA (Napoleonville);
- for administration costs; and
- to meet the costs of the Entitlement Issue.

Under the Entitlement Issue, every person with an Australian and New Zealand registered address who is registered as the holder of fully paid ordinary shares in the capital of GGE (**Shares**) at **5.00pm WST on 19 August 2010 (Record Date)** will be entitled to participate in the Entitlement Issue in respect of the number of Shares that person is then registered as the holder of.

Accordingly, to be eligible to participate in the Entitlement Issue in respect of the GGE Shares to be issued on exercise of the GGE options you hold, you must exercise those GGE options and be registered as the holder of the underlying GGE Shares before the Record Date.

Please note that, the Company has determined pursuant to Listing Rule 7.7.1(a) of the Listing Rules of ASX Limited ("**ASX Listing Rules**"), that it is unreasonable to make an offer pursuant to the Entitlement Issue to shareholders outside of Australia and New Zealand. Therefore, in compliance with ASX Listing Rule 7.7.1(b), the Company is not required to make offers pursuant to the Entitlement Issue to shareholders registered outside of Australia and New Zealand. **Accordingly, an option holder who is resident outside of Australia and New Zealand will not be able to participate in the Entitlement Issue upon exercise of their options.**

The purpose of this letter is to comply with the ASX Listing Rules by advising you of the impending Entitlement Issue and to give you adequate opportunity to exercise some or all of your GGE options prior to the Record Date so that you may participate in the Entitlement Issue.

To exercise some or all of your GGE options you will need to give notice in writing to GGE in accordance with the terms and conditions of issue of your GGE options, together with payment of the exercise price for each GGE option exercised.

Option exercise notices must be received by no later than 5.00pm WST on 19 August 2010.

You are encouraged to read the Prospectus that was lodged with ASX on 10 August 2010 fully before exercising any of your options. If you have any queries in relation to the exercise of your options and the Entitlement Issue, you should consult your stockbroker or other professional adviser.

If you have any queries concerning the Entitlement Issue please contact the Company Secretary, Mark Freeman +61 8 9324 1177.

Yours sincerely

Mark Freeman
Company Secretary
Grand Gulf Energy Limited