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ASX GGE

11 August 2010

Dear Shareholder

#### NON-RENOUNCEABLE ENTITLEMENT ISSUE OF SHARES

On 4 August 2010, Grand Gulf Energy (ASX: GGE) ('the Company') announced a one (1) for two (2) entitlement issue of new Shares in the Company at an issue price of 1.5 cents for each new Share ('Entitlement Issue').

The Entitlement Issue will result in the issue of 470,357,099 new Shares in the Company and will raise an estimated \$7,055,356 if all entitlements are taken up (based on the Company's undiluted share capital as at the date of this letter).

Under the Entitlement Issue, every Shareholder with an Australian or New Zealand registered address ('Eligible Shareholders') who is registered as the holder of fully paid ordinary Shares in the capital of the Company at 5.00pm WST on 19 August 2010 ('Record Date') will be entitled to participate in the Entitlement Issue.

The funds raised from the Entitlement Issue will be applied towards:

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

It is anticipated the securities will be entered into uncertificated holdings on 9 September 2010.

The Entitlement Issue provides eligible Shareholders with an opportunity to increase their investment in the Company at an attractive price.

The Entitlement Issue Prospectus and the accompanying Entitlement and Acceptance Form will be sent to eligible Shareholders on 20 August 2010.

The Entitlement Issue is open for acceptance by eligible Shareholders from 20 August 2010 until 5.00pm (WST) 6 September 2010 (subject to the Directors varying the closing date in accordance with the ASX Listing Rules). Please note that the Company's shares will be quoted on an "ex" basis from 13 August 2010, and therefore any shares bought or sold on market on and from this date will not carry entitlements under the Entitlement Issue.

Shareholder approval is not required for the Entitlement Issue. Shares issued under the Entitlement Issue will be issued as fully paid and will rank equally with existing ordinary fully paid shares in the Company.

Fractions of a share will be rounded up to the nearest whole Share where the determination of an eligible Shareholder's entitlement under the Entitlement Issue results in a fraction. The total number and class of all securities quoted on ASX (including the maximum number of securities to be issued in the Entitlement Issue is as follows:

<b>Shares*</b>	<b>Number</b>
Shares on issue at date of Prospectus	940,714,198
Shares offered pursuant to the Entitlement Issue	470,357,099
<b>Total Shares on issue after completion of the Offer</b>	<b>1,411,071,297</b>

\*This assumes no Options are exercised prior to the Record Date.

<b>Options</b>	<b>Number</b>
Exercisable at \$0.08 on or before 31 December 2010	2,200,000
Exercisable at \$0.10 on or before 31 December 2010	1,900,000
Exercisable at \$0.12 on or before 31 December 2010	900,000
Exercisable at \$0.04 on or before 18 September 2012	45,000,000
Exercisable at \$0.04 on or before 26 November 2012	13,775,000
Exercisable at \$0.05 on or before 5 June 2013	6,000,000
Exercisable at \$0.05 on or before 24 November 2013	1,000,000
Exercisable at \$0.009 on or before 15 March 2014	40,000,000
Exercisable at \$0.009 on or before 6 May 2014	75,000,000
<b>Total Options on issue after completion of the Offer</b>	<b>185,775,000</b>

The Company currently has no dividend policy.

The proposed timetable for the Entitlement Issue is set out below. The following key dates are indicative only:

Lodgement of Prospectus with ASIC	10 August 2010
Notice sent to Shareholders	12 August 2010
Ex Date	13 August 2010
Record Date for determining Shareholder entitlements	19 August 2010
Prospectus despatched to Eligible Shareholders	20 August 2010
Closing Date of Offer	6 September 2010
Notify ASX of under-subscriptions	8 September 2010
Despatch date/Shares entered into Shareholders' security holdings	9 September 2010

\* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such the date the Securities are expected to commence trading on ASX may vary.

The above information was provided to the ASX on 10 August 2010.

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