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ASX/Media Release

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## NAPOLEONVILLE WELL PROGRAMME & FINANCING UPDATE

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### Dugas & Leblanc Well Update

The Board advises that the Dugas & Leblanc #2 well is drilling ahead at a depth of 8,248 ft Measured Depth (about 7,500 ft Vertical Depth) on the way to a total depth of 8,550 MD. Following reaching TD electric logs will be run.

The Dugas & Leblanc #1 well has continued to be contained and the location is due to be accessible for a workover rig this week to commence retrieving production tubing. There is a limited possibility that if the production tubing is able to be recovered and the well bore casing is in suitable condition that the well may be converted into a production well.

Partners in the Dugas & Leblanc Wells are:

Company	WI	Paying interest
Mantle Oil & Gas LLC (Operator)	4.09%	n/a
Grand Gulf Energy Ltd	39.50%	52.87%
Golden Gate Petroleum Ltd	15.00%	n/a
Other Partners	41.41%	n/a

### Project Funding

Further to previous announcements the Company confirms that it has entered into a revised loan agreement with a company related to Mr Charles Morgan, Seaspin Pty Ltd and a loan agreement with Skye Equity Pty Ltd for the provision of a A\$3m Loan to fund the Company's short-term working capital obligations whilst completing the Entitlements Offer.

Subject to the terms of the Underwriting Agreements dated 3 August 2010 between the Company, Seaspin and Skye (Underwriters), the Loan will automatically convert to the Shortfall Shares required to be subscribed for and in addition at the direction of the underwriters to any Entitlements being subscribed for by Seaspin and Skye or their nominees.

In the event the Company fails to complete the Offer, and subject to shareholder approval, the underwriters will have the right to convert the Loan to Shares at 1.5 cents each, or alternatively, the underwriters may at any time thereafter demand repayment of the Loan and interest within 30 days of notice of such demand.

Under the revised loan agreement with Seaspin and the loan agreement with Skye interest is payable on the Loan at the rate of 8% per annum. In addition the Company will, subject to shareholder approval, issue 50,000,000 unlisted options to each underwriter exercisable at 1.5 cents per share on or before 1 September 2015.

The provision of these loans reconfirm the commitment of these underwriters post the well control problems

associated with the Dugas and Leblanc #1 well and subject to insurance being available to substantially meet the costs associated with the well will continue to provide this underwriting. The underwriters will retain all their rights of termination in the event that insurance is unlikely to cover the exposure.

At this time it is the understanding of Grand Gulf that insurance will substantially cover the costs of the well control operations, the environmental clean-up operations and the drilling of the replacement well Dugas & Leblanc #2. However, there is some uncertainty with regard to these matters and Grand Gulf will thereby extend the dates of the offer to allow more time for an appropriate level of certainty to be reached. Grand Gulf will continue to keep investors informed as information comes to hand. A formal notice of extension to the ASX will be lodged in due course.

A class action has been filed against the Operator of the Dugas & Leblanc #1 well in both the Federal and State court for damages by certain residents of the area. The operator has appointed legal counsel to defend the joint venture and the will report on the progress of this action as it develops and to any liability that Grand Gulf may face, if any, as a joint venture partner in the Dugas & Leblanc #1 well.

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