



11 July 2014

MARKET UPDATE

• Status of Operations

- The Company is pleased to confirm that it has finalised its position in the **Louise** prospect (**Templet#1** well). The Company owns a 22.57% WI and will be paying 19.26% of the dry hole well costs. The Energy Drilling rig, which has been contracted to drill Templet #1, has been delayed on its current well and is expected to be on the Templet location before the end of July 2014. The Templet #1 well is targeting 600,000-800,000 bbls of oil in an updip segment of a proven oil bearing compartment.
- Installation of production facilities are progressing well at **West Klondike**. The operator has advised of minor delays and anticipates production to commence end of July 2014 and the project continues to be within budget. The well tested flow rates above 2mmcf/d and associated condensate.
- The Company is pleased to advise that the **Abita** recompletion has been finalised in the upper 18 sands. The well is presently cleaning up. The upper 18 sand is likely to contain 400,000 mcf and 8,000 bbls oil. The Company will report again on this operation once stabilised rates have been achieved.

• Legal Action

- The Company has been advised that a previous JV partner in the Desiree Project is suing two Texas based subsidiaries, Grand Gulf Energy, Inc. and GG Oil & Gas 1, Inc. ("GGE") seeking a 5.3% WI (4.63% WI net to GGE) in the Desiree Project and leases. The partner formally withdrew from the project in December 2011 and, subsequent to the well having commenced drilling, thereafter demanded its interest be reinstated. GGE intends to vigorously defend its right to the additional forfeited interest as attempts to settle the matter have been rejected.

COMPETENT PERSONS STATEMENT: The information in this report has been reviewed and signed off by Mr KC Whittemore (Registered Geologist, Texas USA), and Kevin Kenning (Registered Reservoir Engineer) with over 36 and 30 years relevant experience respectively within oil and gas sector.

This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates

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