2 December 2015

DEMERGER OF US ASSETS

- The Board has resolved, subject to shareholder approval, to demerge most of the Company's US assets (Assets).
- A new entity, Louisiana Oil Ltd, will be assigned ownership interests in the demerged Assets.
- The Company will undertake an in-specie distribution of the Louisiana Oil shares to all shareholders as a return of capital.
- Louisiana Oil Ltd will be mandated to minimise expenditures and to distribute net income from the Assets to Shareholders. This is likely to result in regular cash payments to Shareholders.
- The oil and gas sector is currently undervalued on the ASX and the demerger will enable shareholders to derive a tangible benefit from the funds generated from the Assets while positioning the Company to pursue new business opportunities likely to achieve greater recognition on the ASX.

Board & Management

Mr Mark Freeman
Managing Director
Mr Charles Morgan
Executive Chairman
Mr Allan Boss
Executive Director
Mr Stephen Keenihan
Non-Executive Director

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Structure of the Demerger

To effect the demerger, Grand Gulf has incorporated a new subsidiary, Louisiana Oil Ltd. Following shareholder approval and appropriate ATO tax rulings being obtained, Grand Gulf's interests in all producing and exploration assets (the Assets), other than the Abita Project, will be assigned to Louisiana Oil.

The Louisiana Oil shares will have an aggregate paid up value of A$19,076,086 (reflecting the book value of Louisiana Oil). This represents a reduction in the capital of Grand Gulf of 2.55 cents per Grand Gulf share.

All the issued shares in Louisiana Oil (~74,799,888 shares) will then be distributed by Grand Gulf to its shareholders on a 1 for 10 pro-rata basis (an in-specie distribution).

Following the distribution Grand Gulf Shareholders will directly own the shares in Louisiana Oil, an unlisted public company.

Rationale for the Demerger

It is apparent to the Board of Grand Gulf that the value of the Company's Shares does not properly reflect the value of the underlying Assets. The oil and gas sector is currently undervalued on the ASX. Accordingly, the Board is proposing to effect a demerger of the Assets.

The Board believes that the demerger will provide the following benefits to Grand Gulf Shareholders:

1. Grand Gulf will be free to pursue new business opportunities likely to achieve greater recognition in the Australian stock market without diluting Shareholders' interests in the Assets.
2. The mandate of Louisiana Oil is to collect the existing oil and gas production income generated by the Assets, to otherwise minimise expenditures, and to distribute the net income to Shareholders. This is likely to result in regular cash payments to Shareholders.

Further details of the demerger are included in a Notice of Meeting to be dispatched to shareholders shortly.

For and on behalf of the Board

Mark Freeman
Managing Director

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