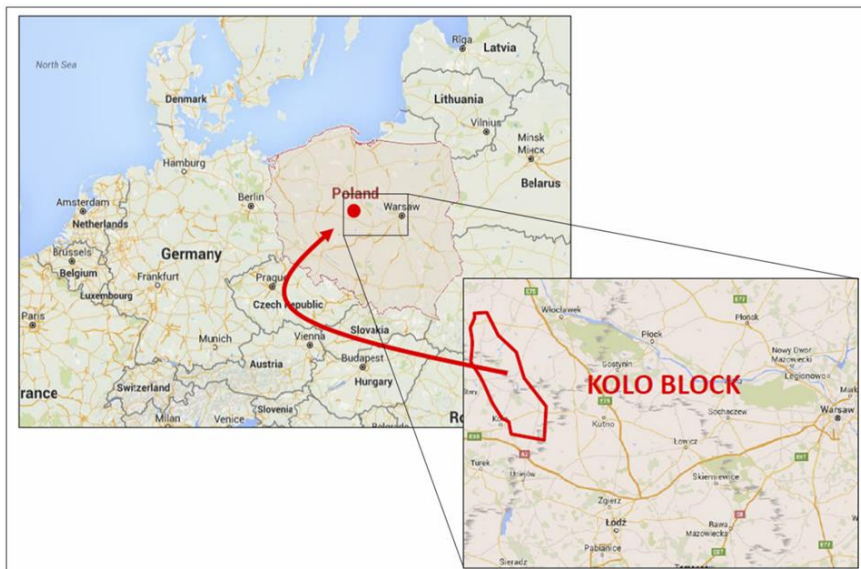


13 December 2016

## GGE acquires 20.4% interest in 87 BCF Boleslaw #1 well in Poland

### Highlights

- GGE has acquired 20.4% of the high impact Boleslaw gas prospect in the Kolo Licence in central Poland with best estimate unrisks Prospective Resources of 87BCF in two target sands.
- The Well spud on 11 December 2016 and is anticipated to take 24 days to drill.
- Planned TD of 1,500m and expected to cost A\$2.8 million
- GGE entry cost (includes its share of drilling costs) is contributing to the earning well costs by paying \$600,000 on a “ground floor” basis.
- GGE will also have a 20.4% interest in the Kolo Licence which covers 1,150 square kilometres.
- Poland provides a ready market for gas at competitive prices.
- Other Partners include Prospex Oil & Gas Plc (PXOG.L:AIM)



**Figure 1.1: Location of Kolo licence, central Poland**  
(Source: Prospex)

### Board & Management

**Mr Mark Freeman**

Managing Director

**Mr Charles Morgan**

Executive Chairman

**Mr Allan Boss**

Executive Director

**Mr Stephen Keenihan**

Non-Executive Director

### Office

Level 7, 1008 Hay Street,

Perth WA 6000

T +61 (0) 8 9389 2000

F +61 (0) 8 9389 2099

E [info@grandgulf.net](mailto:info@grandgulf.net)

[www.grandgulfenergy.com](http://www.grandgulfenergy.com)

### ASX Codes

GGE 748m



Boleslaw #1

## Boleslaw Prospect

The Boleslaw Prospect was defined on the Kolo License following interpretation of proprietary 2D seismic data in 2014 and is targeting the Santonian (900m) and Deep Cretaceous (1,400m) sandstones. The reservoirs are anticipated to comprise high porosity sands (20-30%).

The well spud on 11th December 2016 and is expected to take 24 days to drill to TD of 1,500 m.

At the Santonian level, Boleslaw is a well-defined, truncation trap bounded by salt on the SW flank and covers an area exceeding 6 km<sup>2</sup>. The feature is greatly enhanced by the presence of both seismic amplitude and AVO anomalies potentially consistent with the presence of gas and is also characterised by a seismic flat spot which may represent a gas water contact.

The Deep Cretaceous level is also associated with an amplitude anomaly but is considered higher risk as the anomaly is poorly constrained.

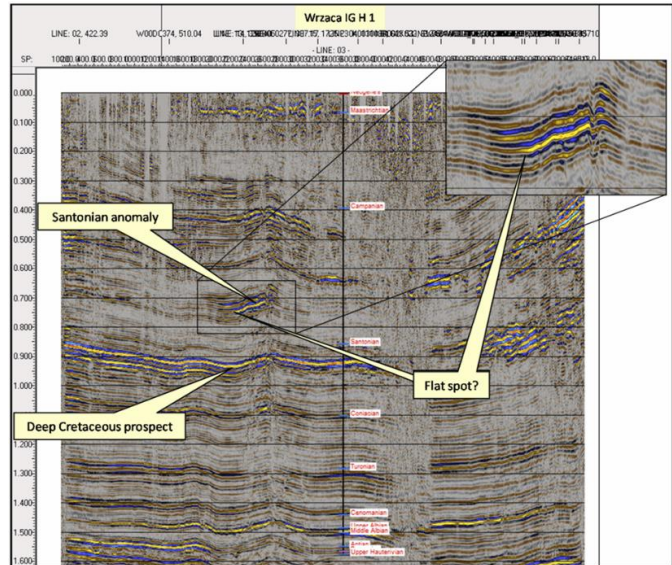


Figure 3.5: Line 03 (TWT) zoomed out to show the Santonian anomaly

Oil and gas shows in multiple wells drilled nearby between 1965 – 1992 provide evidence of a working petroleum system.

A competent person's report commissioned by Prospex, <http://www.prospexoilandgas.com/docs/KoloCPRMay2016.pdf>, assessed the resource potential to be as follows:

Oil and Liquids: MMbbls Gas: Bscf	Gross Technical Prospective Resources		
	Low Estimate	Best Estimate	High Estimate
PROSPECT			
Santonian	18.1	31.5	49.4
Deep Cretaceous	16.4	55.6	105.8
<b>Total</b>	<b>34.5</b>	<b>87.1</b>	<b>155.2</b>
GAS (Reservoir gas quality incl. N2) - Bscf			

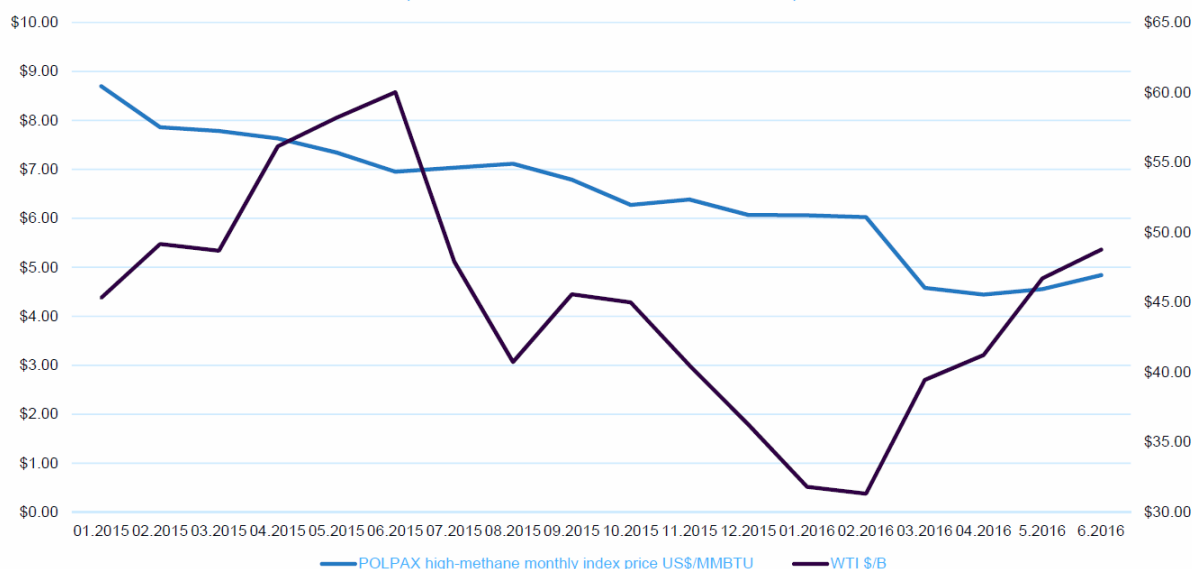


## Market and Economics

If successful and reservoir sands are as predicted the well has the potential to deliver between 20-40 mmcf/d meaning a successful project can generate significant revenues and deliver robust economic outcomes.

If the well is successful, the Boleslaw gas could be sold into a high BTU pipeline within 10kms or, if it is low BTU (high nitrogen), into a low BTU pipeline via a 90km connection or more likely sold as electricity via a combined heat-power generation facility into the national power grid a few kilometers away. Pricing of gas and electricity in Poland is transparent and provided via the POLPAX market:

Polish Gas Prices v WTI (RHS)  
2015 to April 2016  
(converted from Euro/KWH to US\$/MMBTU)



The following information is extracted from a Prospec presentation and provides an economic summary of the potential value of the Boleslaw prospect for various resource quantities, risks, gas qualities and electricity price scenarios. The presentation can be viewed at <http://www.prospecoilandgas.com/docs/Presentation.pdf>.

Case	Reservoir	POSg	Vol.	Tech. Resources Prod. Gas (BCF, 100%)	NPV(10%)/Mscf Sales Gas	NPV(10%) for 100% of project
N2 mol%	Interval		Case		(PLN 144/MWh)	
		(%)			US\$/Mscf	US\$mIn
N2 15mol%	Santonian	40%	Mean	33.1	1.82	60.2
	Deep Cret.	20%	Mean	60.1	2.03	122
	Arithm. Total	8%		93.2	2.08	193.8
N2 25mol%	Santonian	40%	Mean	33.1	1.46	48.3
	Deep Cret.	20%	Mean	60.1	1.7	102.2
	Arithm. Total	8%		93.2	1.78	165.8
N2 40mol%	Santonian	40%	Mean	33.1	0.95	31.4
	Deep Cret.	20%	Mean	60.1	1.2	72.1
	Arithm. Total	8%		93.2	1.35	117.6
N2 50mol%	Santonian	40%	Mean	33.1	0.43	14.2
	Deep Cret.	20%	Mean	60.1	0.77	46.3
	Arithm. Total	8%		93.2	0.95	88.5

CHP & PLN 144/MWh - Interpolated NPV(10%)/Mscf sales gas and indicative NPV(10%) for N2 scenarios  
PLN 144/MWh is the approximate price at the time of writing Historic Electricity Prices in Appendices

The conclusion from this work is that the Boleslaw prospect is economically viable through a wide range of risk and gas quality outcomes.

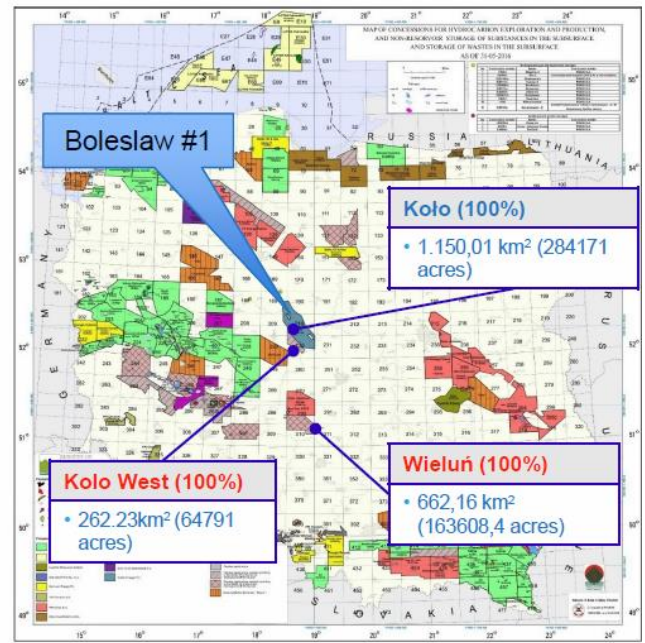
## The Kolo Licence

The Kolo Licence is located in the Lodz Trough within the Polish Central Lowlands, c120 km west of Warsaw. The region is well serviced by oil and gas surface facilities as well as the national electricity grid and sits on major European transport arteries.

The Kolo Licence is 1,150 square kilometres in area and is elongated in a NW-SE direction along the strike of the Lodz Trough, a well-known Mesozoic sedimentary basin. This basin is known in Poland by its salt mines (Klodava) but also by important manifestations of oil and gas in shallow water wells.

The JV owns 1,400km of vintage 2D seismic over the license area and shot a further 250km of 2D proprietary seismic data in 2014.

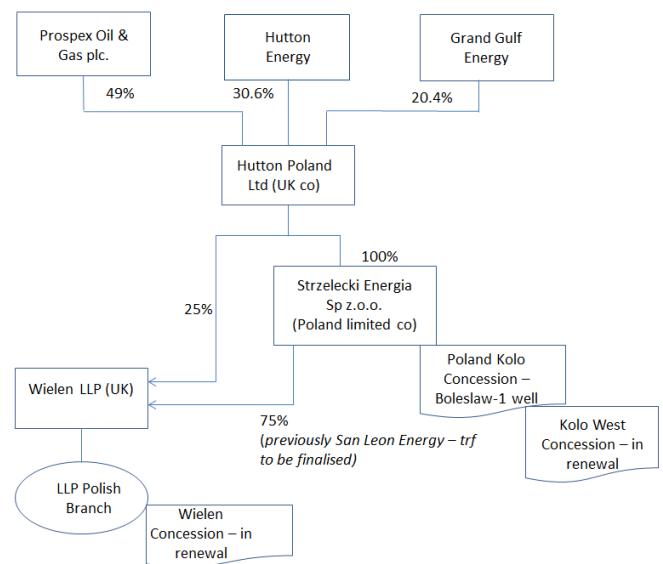
Recent geological studies and interpretation of geophysical data indicates that the Lodz Trough has the potential to contain commercial oil and gas accumulations at deeper and shallow levels in early and late Cretaceous sedimentary reservoir rocks, similarly to hydrocarbon provinces like the North Sea and the Baltic region.



## Structure of Acquisition

As a result of the petroleum licence laws in Poland, which do not allow more than one holder of the licence, the Kolo Licence is held by Strzelecki Sp. z.o.o. (Strzelecki) a 100% owned subsidiary of Hutton Poland (UK) Ltd. GGE as part of the acquisition has acquired a 20.4% equity interest in Hutton Poland (UK) Ltd. The other shareholders include Hutton Energy Ltd (30.6%) and Prospex Oil and Gas plc (49%). Strzelecki has also applied for the Kolo West Licence and the Wielun Licence.

Charles Morgan, Chairman of Grand Gulf Energy, is a director and shareholder of Hutton Energy Ltd, Stephen Keenihan, a director in Grand Gulf Energy, is a minority shareholder in Hutton Energy Ltd and Craig Burton is a shareholder in Hutton Energy Ltd. The independent directors of Grand Gulf, Mark Freeman and Allan Boss have assessed the acquisition of the 20.4% interest in Hutton Poland Ltd independently. It has been determined that the acquisition falls below the level of materiality as set out in LR10.1.



## Operator

Strzelecki is the licence holder and Operator of the Kolo Licence and the Boleslaw #1 well. Strzelecki has been a licence holder and operator in Poland since 2011 and has held a number of licences over time, It now holds the Kolo Licence as well as the application for the Wielun and Kolo West Licences.

**For further information contact:**

Mark Freeman  
Managing Director  
Phone +61 8 9389 2000

For more information visit [www.grandgulfenergy.com](http://www.grandgulfenergy.com) and sign up for email news.

**About Grand Gulf Energy:** Grand Gulf is an ASX listed US based oil and gas exploration and production company with management in Houston and assets in Louisiana, Alabama and Poland.

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.