



13 July 2012

AUSTIN BAYOU DRILLING UPDATE 2

HIGHLIGHTS

- HRI Well No 1 was spud on 2 July 2012 and is drilling ahead at a depth of 5,503ft.
- 23.25%WI of 11.5 BCF & 180 MBC (upto 15.5 BCF/250 MBC) updip production project, located in Brazoria County Texas, N flank Danbury Dome
- Well is targeting two updip productive intervals (Andrau & Tex Miss 1)
- Additional 4 exploration sands (Tex Miss 2, 3, 5 & 7)
- Proposed well is 100-150ft updip from initial well which produced 3 BCF and 50 MMBC
- Low cost normal pressured straight hole well (GGE share \$385k)
- Project generated from re-processed data on proprietary seismic
- Up thrown 3-way trap to buried fault, strong seismic amplitudes tied to pay
- Sand deposition is uniform with the downdip well logging 100ft of pay over 320ft of sand

DRILLING & EXPLORATION PROGRAM

| Program | Date | P50 Oil (net) | P50 Gas (net) |
|--------------|---------|------------------|----------------|
| Austin Bayou | June 12 | 40-60 MBO | 2.7-4 BCF |
| Desiree | Aug 12 | 330-410 MBO | 6-12.5 |
| Leduc | Aug 12 | 260-2,640 MBO | - |
| W. Klondike | Sept 12 | 210-500 MBO | 0.6-1.7 BCF |
| Pintail | Nov 12 | 120-280 MBO | 7.50-17.50 BCF |
| Total | | 1,180-4,170 MMBO | 18-37 BCF |

PRODUCTION AND DEVELOPMENT PROGRAM

| | | | |
|-------|-------|-------------|---------|
| D&L#3 | Prod. | 160 MBO | .5 BCF |
| Abita | Prod. | 70-140 MBO | 1.2 BCF |
| Total | | 230-300 MBO | 1.7 BCF |

Board & Management

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ASX Codes

GGE (3,739m)

GGEO (1,469m)



AUSTIN BAYOU

HRI Well No. 1, Austin Bayou, Brazoria County, TX, 23.25%WI, Non Operator

The Board is pleased to announce that the HRI Well No 1 is drilling ahead at 5,503ft after being spud on 2 July 2012, Houston time.

Austin Bayou is located in Brazoria County, Texas. The well is targeting two updip productive sands in the Andrau and Tex Miss 1 intervals, possible resources in the Tex Miss 2 and contingent resources in the Tex Miss 3, 5 and 7.

The Project was generated from re-processed data on proprietary seismic and is an up thrown 3-way trap with a strong seismic amplitude response tied to pay and conforming to structure. The sand deposition is uniform with the downdip well logging 100ft of pay over 320ft of sand.

The potential net reserves to Grand Gulf are 40,000-60,000 bbls of condensate and 2.7 to 4 BCF gas representing a low risk project will increase revenue net to GGE by US\$70,000 to US\$140,000 per month (after costs) depending on whether the well is dual completed or a single producer. Flow rates, if the well is successful, are estimated at 4-6 mmcf/d and 17 bc/mmcfg, and provide payback in 7 – 12 months.

The well will be drilled to a total depth of 11,400ft straight hole. The Company's share of well costs is estimated at US\$385,000 (which has been prepaid). In a success case, the Company's share of completion and facilities costs is estimated to be a further US\$265,000. The operator is Texas Standard Oil Operating Company. Pipeline facilities run adjacent to the lease and the well is likely to be put on production within 3 months of completion.

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For more information visit 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, Arkansas and Texas.

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.

