

ASX/Media Release

13 January 2012

GRIZZLY DRILLING UPDATE: GAS SHOWS

- Gas shows in the primary objective; Abbeville.
- Grizzly prospect is drilling ahead at 12,995ft
- Grizzly is targeting of up to 50 BCFG and 1 MMBC in the Abbeville Sand and below.

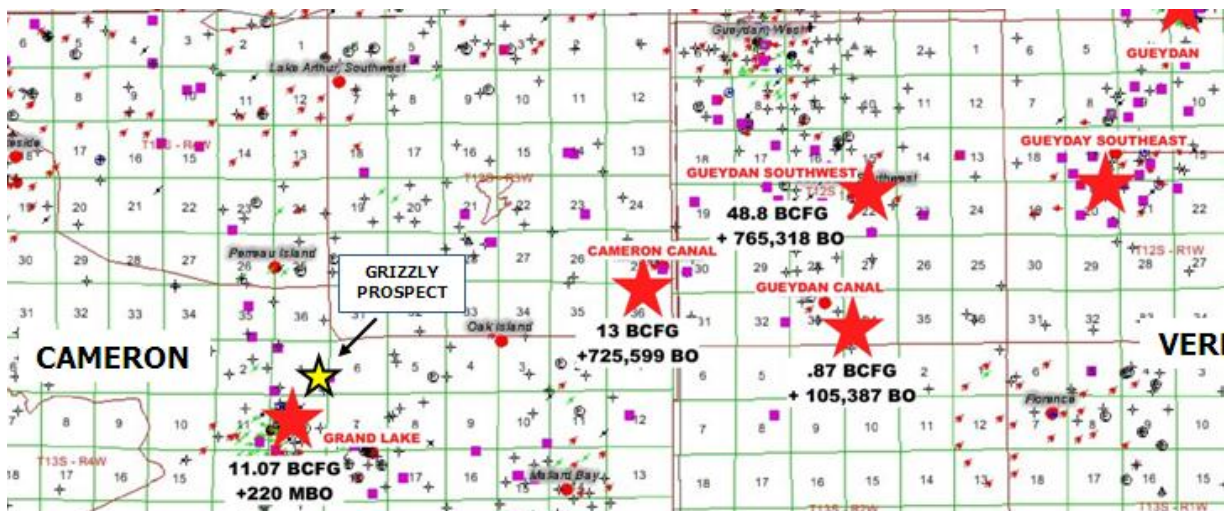
SL 19965 well, Grizzly Prospect, Cameron Parish, LA, 5.25% WI, Non Operator

The Board is pleased to advise that the Grizzly well is presently drilling ahead at 12,995ft MD under a turnkey drilling contract with Drilling Risk Management Incorporated. The well has encountered gas shows in the Primary Abbeville sand objective at ~12,748ft MD. The well is expected to drill through additional Abbeville sand structures before targeting 2 seismic anomalies prior to reaching TVD of 13,530ft.

Electric logs are planned to be run after the well reaches TD.

The Grizzly Prospect covers an area of 615 net acres in Cameron Parish, Louisiana.

The prospect is an upthrown, fault bounded closure that has several compartments. The test well is targeting the most northerly of the upthrown blocks. The Abbeville sand section exhibits multiple seismic attributes indicative of probable gas and condensate charged reservoirs. With multiple reservoirs, the potential reserves for the Abbeville approach 50 BCFG and 1 MMBC.



In December, 2007, Manti Operating drilled a discovery well approximately 1 mile south of the Grizzly Prospect. That well encountered an Alliance sand section that was gas productive in two sands with over 100ft of gross pay. The Manti well was completed in December 2007 as a gas well with an initial test rate of over 15,179 MCFD and 384 BCPD. The well has had cumulative production of 11.07 BCFG and 220,077 BC to January 2011.

Operational and Economic Upside

Reserve Upside: Column height, Condensate yield, number of pays and sand thickness
Production rates: Deliverability & analog sustained rates 15+ mmcf/d and 300+ bc/d
Condensate yield: 20 bc/mmcf
Drilling control: Offset well (Murphy “Cherry #1”) drilled to Alliance and Abbeville and encountered +100 ft sand in each sand.
Entry Terms: Favorable paying ~7% to casing point. GGE’s estimated share of the dry hole costs of the well is ~US\$550,000 (including entry costs). The NRI being delivered is 71.62%.

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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 and Arkansas.

COMPETENT PERSONS STATEMENT: The information in this report has been reviewed and signed off by Mr K.C. Whittemore (Registered Geologist, Texas USA), with over 36 years respective relevant experience 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.