



4 June 2012

VERMILION RIVER DRILLING UPDATE 13

HIGHLIGHTS

- Preliminary electric logs indicate pay penetrated to date may not be commercial
- Currently preparing to drill ahead at 16,975ft

Managing Director, Mark Freeman, commented that “A Quad Combo electric log was run in the open hole from 12,779ft to 16,975ft to have a preliminary look at the well. Preliminary evaluation show that the thickness of pay penetrated to date may not be commercially significant. The operator is drilling ahead a further 300ft to planned total depth. Upon reaching total depth, a full evaluation of the zones encountered will be made.”

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net) MBO	P50 Gas (net) BCF
Vermilion	Drilling (16,975ft)	170	7
Austin Bayou	Early June 12	40-60	2.7-4
Leduc	June 12	170-1,680	-
Desiree	July 12	310-410	6-12
W. Klondike	Aug 12	210-500	0.6-1.7
Pintail	Nov 12	120-280	7.5 – 17.5
Total		1,035-3,099	24-42.5

PRODUCTION

D&L#3	Prod.	160	.5
Abita	Prod.	70-140	1.6
Total		230-300	2.1

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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ASX Codes

GGE (3,739m)

GGEO (1,469m)



VERMILION RIVER PROSPECT

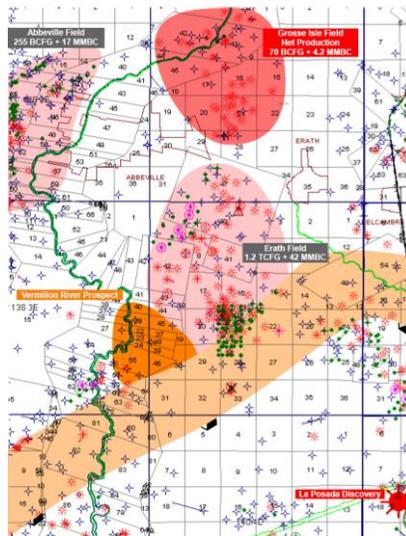
R. J. Perrin et al Well No. 1, Vermilion River, Vermilion Ph., LA, 7.83%WI, Non Operator

The Board advises that the R. J. Perrin et al Well No. 1 is presently drilling ahead at 16,975ft MD. A Quad Combo electric log was run in the open hole from 12,779ft to 16,975ft to have a preliminary look at the well. The logs are being evaluated with preliminary indications being that the thickness of pay penetrated to date may not be commercially significant. The operator is drilling ahead a further 300ft to planned total depth. Upon reaching total depth, the partnership will make a full evaluation of the zones encountered.

The Vermilion River Prospect covers an area of 2,925 acres in Vermilion Parish, Louisiana. The project has similar traits and risks, and is close to, the Company's recent discovery and success at La Posada (8 miles to the SE). Walter Oil and Gas was a partner in the La Posada discovery and is a highly successful and professional private oil and gas company based in Houston with onshore and offshore gulf coast assets.

The potential net reserves to Grand Gulf are 170,000 bbls of condensate and 7 BCF gas.

The proposed well is designed to penetrate and test multiple U Oligocene Heterostegina sand units in a three way dip closure. With 500ft of structural relief the Vermilion River structure is situated within a Het mini embayment bounded by a series of expansion faults north of the prospect. Het sands within the embayment have been proven to be high quality reservoir rock with thicknesses in excess of 200ft common.



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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.