



23 April 2012

VERMILION RIVER DRILLING UPDATE 7

HIGHLIGHTS

- Setting casing at 14,300ft
- High Impact Project targeting 110 BCFG & 3.3 million barrels condensate, up to 185 BCF and 5.5 MMBC
- The prospect lies between two major fields; Erath (1.2 TCFG + 42 MMBC) and Abbeville (255 BCFG + 17 MMBC)

Managing Director, Mark Freeman, commented that “Notwithstanding the slow progress we are very pleased with the Operator’s diligence. The Vermilion River project represents significant and material upside value to the Company. There is one more casing run at 15,600 ft and then the well will drill to the secondary target in a HET sand at around 15,840ft. This will be followed by the primary targets of the Het 1A sand at 16,250 ft and then the lower Het sands from 16,400-17,400ft.”

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net) MBO	P50 Gas (net) BCF	* Min Value (US\$MM)
Vermilion	Drilling	260-430	8.5-14.5	\$34
Austin Bayou	April 12	40-60	2.7-4	\$7.5
Desiree	May 12	310-420	-	\$28
Leduc	May 12	170-1,680	-	\$15
W. Klondike	Aug 12	210-500	0.6-1.7	\$18
Pintail	Nov 12	120-280	7.5 – 17.5	\$20
Total		1,105-3,364	19.5-38	\$121

PRODUCTION

D&L#3	Prod.	160	.5	\$15
Abita	Prod.	70-140	1.6	\$7
Total		230-300	2.1	\$22

* Min Value represents low case recoverable resources net to GGE multiplied by current oil and gas prices. This number does not reflect cost of operation, development costs and is undiscounted. The number is net of royalties.

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)
GCEO (1,469m)



VERMILION RIVER PROSPECT

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

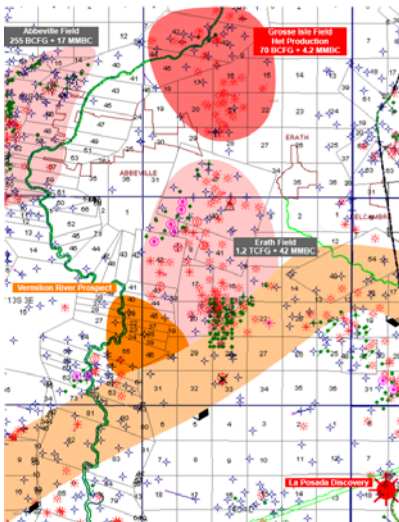
The Board advises that the R. J. Perrin et al Well No. 1 is presently at 14,300ft. The well is due to set an intermediate liner now at 14,300ft before drilling ahead with an 8 ½" bit to 15,600ft where another casing run is scheduled.

The first primary objective (Het 1A) is expected to be intersected at 16,250ft, whilst the lower Het primary objectives are running from 16,400ft – 17,400ft. The well may also encounter a secondary objective around 15,800ft.

The rate of penetration has been slow as a result of the operators need to be cautious whilst re-drilling through this section. The liner being run presently will ensure that the well can be drilled safely through the next interval. The drilling delays are presently running ~\$400,000 net to the Company over budget. The well is likely to be at TD within the next 35 days.

The Vermilion River Prospect covers an area of 2,925 acres in Vermilion Parish, Louisiana. This well is being drilled to a total depth of 17,500ft straight hole. 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 260,000-430,000 bbls of condensate and 8.5 to 14.5 BCFG gas representing the largest prospect in the Company's exploration inventory. The anticipated high condensate yields make the prospect even more attractive.

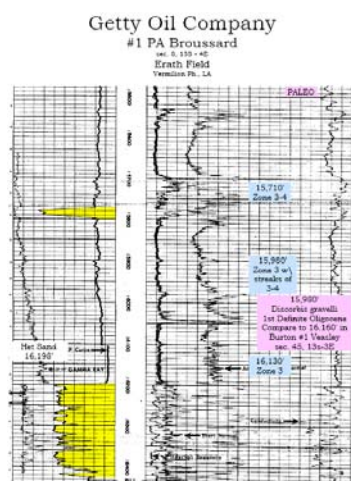


The proposed well is designed to penetrate and test multiple U Oligocene Heterostegina. sand units in a three way dip closure. With 500ft of structural relief the Vermilion River structure is situated within a Het mini embayment bounded by a series of expansion faults north of the prospect. Het sands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

The prospect lies between the Erath (1.2 TCFG + 42 MMBC) and Abbeville (255 BCFG + 17 MMBC) Fields. Both of these fields produce major reserves from shallower middle to lower Miocene age sands and demonstrate a charged hydrocarbon system. Grosse Isle is the nearest Het field within the embayment 8 miles NNE of the prospect. Cumulative production from multiple Het sands is 70 BCFG + 4.2 MMBC. Het sands are a prolific productive target across SW Louisiana.

The initial well is targeting the most northerly of three prospective fault blocks with multiple objectives (Het 1A, 1, 2A and 2). The most likely resource potential of the initial fault block assumes 100ft of pay over 545 acres and is estimated to be 110 BCFG with 3.3 MMBC (upside potential of 185 BCFG and 5.5 MMBC). If successful, the project offers substantial cash flow, long life reserves which will have a substantial

impact on the Company with additional reserve potential in the southerly fault blocks.



Analog field

Grosse Isle Field (1980)

- Analogous structure, timing, depth and deposition
- 98 BCFG & 9.6 MMBC (active)

Operational and Economic Upside

Production rates

Deliverability & analog sustained rates 30+ mmcf/d and 900+ bc/d

Condensate yield

Higher yields on trend (50+ bc/mmcf)

Drilling control

Offset well (Getty Oil #1 PA Broussard) drilled to Het 1A and encountered +200ft sand

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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.