QUARTERLY REPORT

For Quarter ending 30 JUNE 2012

HIGHLIGHTS

- Austin Bayou, HRI Well No1 was spud 2 July 2012 and is drilling ahead at a depth of 9,648ft. First Primary objective is anticipated at ~10,500ft.
- Leduc Reef - additional 8% interest acquired during quarter. Operator has notified GGE that well is planned to be spud mid August 2012.
- Desiree - GGE completed farmout of 15% WI of Desiree. Operator has finalized surface use agreement and is securing a rig for an anticipated September spud.
- S Welsh - GGE acquired 10.5% WI in a low risk, low cost turnkey development well targeting up to 450,000 bbls oil. Spud is anticipated during October 2012.
- Port Hudson – GGE acquired 15% WI in a low risk, low cost development well targeting up to 500,000 bbls oil. Spud is anticipated during November 2012.
- West Klondike – Operator has received necessary drilling permits and expects to commence location work forthwith. Spud is anticipated during October 12.
- Dugas & Leblanc #3 is presently producing at 300 bopd and 800 mcfg per day (representing net monthly revenue of US$250,000 after operating costs).
- Abita discovery well, SL 19706 #1, is presently being worked over to repair a faulty seal
- GGE elected to withdraw from Pintail prospect
- Vermilion River – well drilled but determined non-commercial.

ASX Codes:	GGE / GGEO
Share Price:	0.3c / 0.1c
Shares	3,739m
Listed Options	1,469m (1.5c)
Mkt cap	$11.4m

Mr Charles Morgan	Executive Chairman
Mr Mark Freeman	Managing Director
Mr Stephen Keenihan	Director
Mr Allan Boss	Executive Director

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)
Austin Bayou	Drilling	40-60 MBO	2.7-4 BCF
Leduc	Aug 12	260-2,640 MBO	-
Desiree	Sept 12	330-410 MBO	6-12.5
W. Klondike	Sept 12	210-500 MBO	0.6-1.7 BCF
S Welsh	Oct 12	50 MBO	-
Port Hudson	Nov 12	40-75 MBO	-
Total		930-4,000 MMBO	11-19 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

Activity

- *Austin Bayou presently drilling ahead at 9,648ft to a planned TD of 11,500ft.*
- *Leduc due to spud mid August*
- *Quarterly production at 14,038 bbls oil equivalent (up 3,073 bbls).*

Energy Prices

WTI	*$89.78 (BBL)*
Henry Hub	*$3.15 (MMBTU)*

Major Shareholders

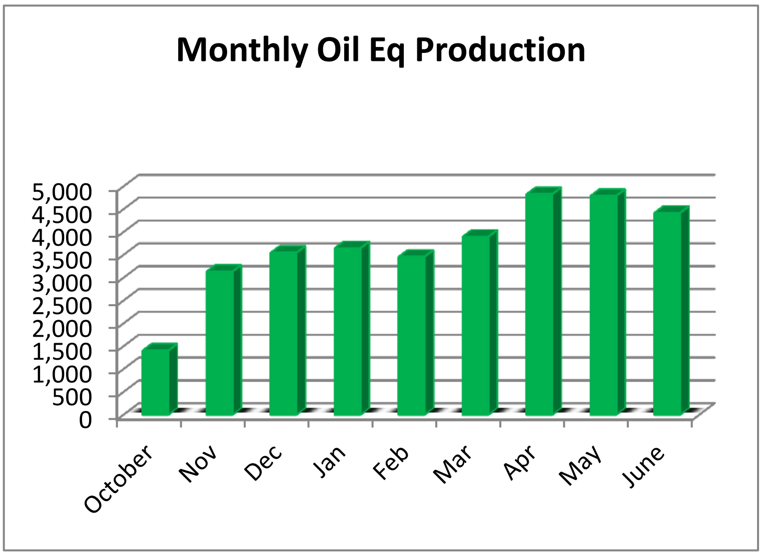
Charles Morgan	*19.95%*
Craig Burton	*10.21%*
Macquarie Bank	*5.56%*

PRODUCTION ASSETS

The Company's share of production for the quarter was 14,038 barrels of oil equivalent (10,965 bbls Mar qtr).

Total net share of gas and oil production for the quarter was:

	Dec Qtr	Mar Qtr	Jun Qtr
Oil (bbls)	6,857	10,375	12,062
Gas (mcf)	42,175	35,009	80,514
% Oil Equ.	85%	95%	86%



Napoleonville - Dugas & Leblanc #3 Well, Assumption Parish, Louisiana, Non Operator 40% WI

The D&L#3 "M" sand was successfully perforated and placed on production on 18 October 2011 and is presently producing at 300 BOPD, 800 MMCFD and 0 BSWPD through a 10/64 inch choke. The well is presently producing consistently and meeting expectations. Monthly revenue net to the Company is ~US$250,000 after royalties and operating costs.

All production is presently being processed through existing facilities. The Company has estimated Projected Recoverable Reserve potential in the M sand as 400,000 bbls oil and 1.2 BCF gas with production to June representing 17%.

The reserve potential of the M sand is expected to increase with reservoir performance data. Further potential exists for a new development well or a future sidetrack to the D&L#3 to capture the updip gas column following recovery of the oil column.

Abita Development Update

Non Operator 20%WI (15% after payout) 350-700 BBLS / 8 BCFG

The field is being operated by Clayton Williams Energy Inc (NASDAQ: CWEI) in Plaquemines Parish, Louisiana. The well commenced producing on 18 March 2012 with initial production from the 30 Sand being brought on stream at ~900 MCFD and 25 BCD with no water and flowing tubing pressure of 2,995 psi on a 6/64 inch choke. CWEI recently completed a production log and determined that a seal above the 30 Sand was leaking. CWEI is presently preparing a proposal to the joint-venture partners to repair the seal and recommence production.

Abita Facilities

D&L3 Facilities

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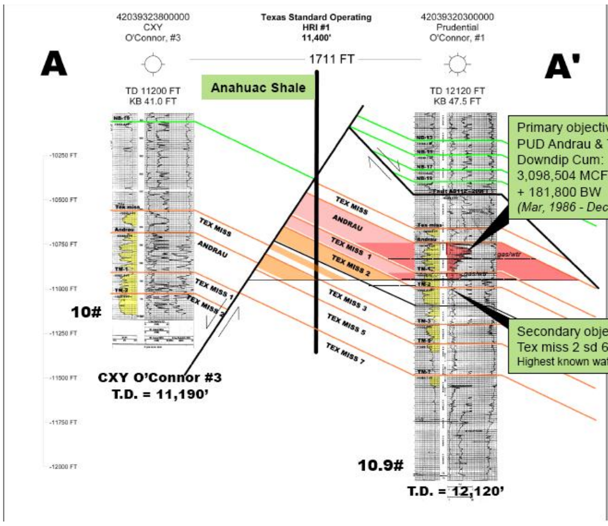
EXPLORATION ASSETS

Austin Bayou, Non Operator 23.25% WI

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

The HRI Well No 1 is drilling ahead at 9,648ft after being spud on 2 July 2012, Houston time. The present rate of penetration is 20ft per hour and the well is expected to maintain this rate until total depth.



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 Andrau is anticipated to be intersected at ~10,500ft.

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 and will increase revenue net to GGE by US$70,000 to US$140,000 per month (after costs) depending on whether the well is duel 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.

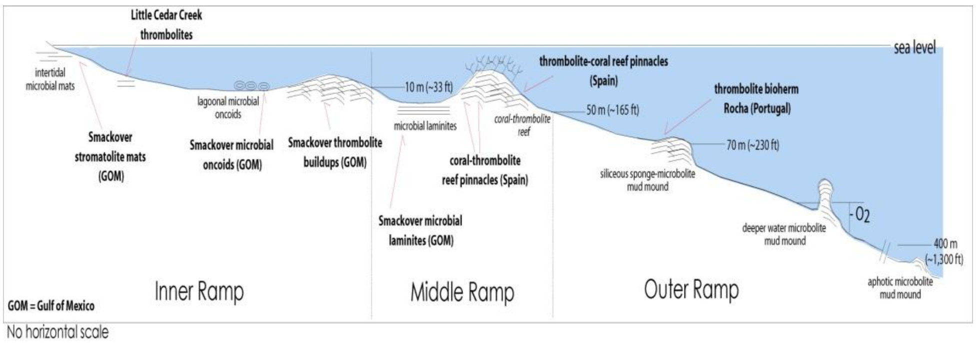
The well will be drilled to a total depth of 11,400ft straight hole. The Company's share of well costs is estimated at US$530,000. In a success case, the Company's share of completion and facilities costs is estimated to be a further US$265,000. The operator is Texas Standard Oil Operating Company. Pipeline facilities run adjacent to the lease and the well is likely to be put on production within 3 months of completion.

Leduc Reef Prospect, Non Operator 22% WI

During the quarter the company acquired an additional 8% working interest in the Leduc Reef Prospect, in Lafayette County, Arkansas. GGE's now holds a 22% WI. The operator is presently preparing the surface location and recently confirmed the well is expected to spud mid August.

The prospect will be drilled to a total depth of 8,600ft. The most likely resource potential is 1.2 MMBL oil with upside potential of 12 MMBL oil. The well is expected to take 21 days to drill. Production rates are estimated to be 100-300 bbls of oil per day.

Porosity development within the Smackover has been proven in the nearby Midway Field with over 60 million barrels oil cumulative production.



The prospect is a mounded feature defined by proprietary, 3D seismic and is interpreted to be a probable bio-carbonate mound. The prospect is situated on a basement hinge ridge, which is ideal location for the formation of carbonate buildups. The age of the prospect is upper Middle Jurassic to lower Upper Jurassic. Secondary objectives are the Lower Smackover 'Brown Dense' micritic limestone. This limestone facies is well known to be the primary source rock for the entire basin. Porosity development within the Smackover has been proven in the nearby Midway Field with over 60 mmbo cumulative production.

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Further opportunities are available to Grand Gulf and the company has a right to participate pro-rata in any new prospects generated in a 3D AMI pertaining to this reef trend. Analogues for this prospect are the Appleton and Little Cedar Creek fields in Alabama. These fields produce out of Upper Jurassic thrombolite reefs located along the northern margin of the Gulf of Mexico.

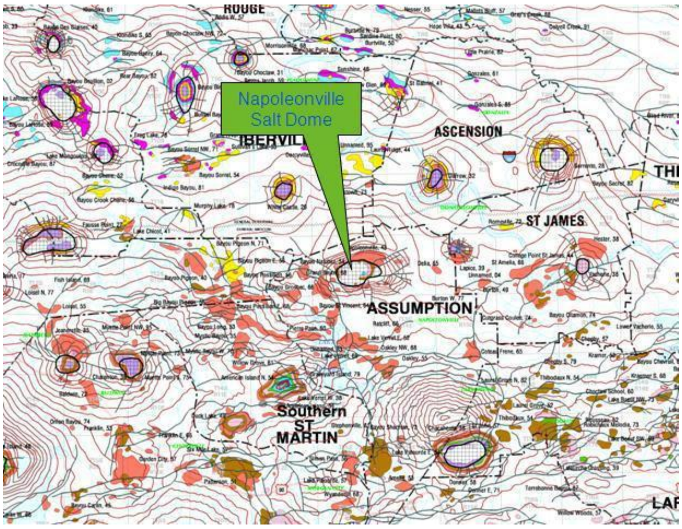
The Company's share of the initial well costs is estimated at ~US$285,000. In a success case the Company's share of completion and facilities costs are a further US$168,000.

The Company is paying 26.66% to earn a 22% working interest on the first well. The net revenue interest being delivered is ~75%.

Desiree Prospect & Napoleonville Update, Non Operator

Desiree, Assumption Parish, LA, 41%

During the quarter the Company completed a farmout to sell a 15% working interest in the Desiree Prospect which covers an area of 140 acres in Assumption Parish, Louisiana and to be operated by a large US GOM Oil and Gas Company.



This well will be drilled to a total depth of 12,550ft and is expected to spud in September 2012. The Company's net share of dry hole costs is estimated at ~US$1.4m (total drilling costs are US$3.6m). The Primary objectives are the Cris R II and III which have the potential for 600,000 - 800,000 bbls of oil and secondary objectives in the Cris R IV and V (200,000 bbls oil and 15-30 BCF gas).

The operator has advised joint-venture parties that it has completed a surface use agreement and anticipates securing a rig within the next three weeks.

The well is updip and 270ft from the largest producer in the Napoleonville Field (2.3 MMBO – Cris R II & III) which was abandoned at low oil prices with split casing while still producing 100 bbls per day (collectively from Cris R II and III). If successful, the project offers long life reserves, with IP's of 400-800 bbls per day and will have a substantial positive cash flow and reserve impact on the Company.

This is a proven productive fault block with a strong water drive in the primary objectives. The prospect has a significant oil column and long life production potential and was generated from 3D seismic and subsurface support for updip attic structure.

This farmout has provided Grand Gulf with a dedicated partner who has the significant and specific geological, geophysical and engineering expertise warranted for this project.

Napoleonville, 18%WI

Further to the company's announcement on 13 January 2012 the Napoleonville operator has made good progress with the reprocessing and re-interpretation of the 3D seismic in consultation with the Company. The work to date has been encouraging and is being completed in a timely manner.

Under the joint-venture agreement the operator is to propose a well in the next 30 days and will then have a further 3 months to propose a second Marg Vag/Cib Haz well with both wells to be drilled by 31 March 2013.

The partner is earning 57% to 63% with all other partners farming out while Grand Gulf will retain between 17-19% working interest in the Project and will be required to pay between 11.5-13% of dry hole drilling costs of these prospects.

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S Welsh Prospect, Non Operator 10.5% WI

The Board is pleased to announce the acquisition of a 10.5%WI in a low risk development project with an estimated resource of 450,000 bbls of oil.

The S Welsh project is located in Jeff Davis Parish, Louisiana on the flank of Welsh Field (90 MMBO & 100 BCFG). The well is targeting Marg Tex sands 250ft updip to a well that produced 335,000 bbls of oil. Including the adjacent fault blocks, the Marg Tex sands have produced over 1,000,000 bbls of oil from 4 wells. The proposed well is the highest location relative to these wells.

The Project was generated from 3D seismic, reservoir study and subsurface mapping. The trap is an up-thrown 3-way trap being the highest block relative to production in the immediate area. The sand deposition is uniform in the area with the downdip well logging a combined 150ft of sand over three intervals.

The potential net resources to Grand Gulf are estimated at 45,000 bbls of oil representing a low risk development project. Flow rates are estimated at 200-300 bbls oil per day. The net revenue interest is 75%.

The well will be drilled turnkey to a total depth of 7,500ft straight hole. The Company's share of well costs is estimated at US$145,000. In a success case, the Company's share of completion and facilities costs is estimated to be a further US$72,000. The well is due to spud in October 2012. Pipeline facilities are present in the area and the well is likely to be put on production within 2 months of completion.

Port Hudson Prospect, Non Operator 15% WI

The Board is pleased to announce its latest acquisition of Port Hudson, a low risk, normally pressured development oil project.

This Project is located in East Baton Rouge Parish, Louisiana in the Port Hudson Field (810 BCFG & 92 MMBO). The well is targeting multiple Upper Wilcox sands that are productive in several analogs. Production from these analogs is up to 1,000,000 bbls of oil.

The Project was generated from re-processed, proprietary seismic. The sand deposition is uniform in the area with the well targeting multiple individual sands ranging in thickness from 10-25ft.

The potential net reserves to Grand Gulf are 40,000-75,000 bbls of oil representing a low risk project. Flow rates are estimated at 200-250 bo/d. The net revenue interest is 74%.

The well will be drilled to a total depth of 10,500ft straight hole. The Company's share of dry hole well costs is estimated at US$160,000. In a success case, the Company's share of completion and facilities costs is estimated to be a further US$70,000. The well is due to spud early November 2012. Pipeline facilities are present in the area and the well is likely to be put on production within 2 months of completion.

West Klondike Prospect, Non Operator 10.5% WI

The West Klondike Prospect is a fault block closure which has been identified on 3D seismic data and is in close proximity to analogous offset production. The targeted sand sections are the Marg Tex, Lario and Upper and Lower Nod Blan, all of which produce in the fields highlighted on the sub regional map (Map 1). The resource potential is 4.8 MMBL oil and 17 BCF gas. There is also a larger, separate, high pressure, deeper prospect in the leased area that will require a separate well. The target sands of this deeper feature (Bridas) have recently yielded a significant discovery approximately 2.5km to the NE.

The Operator has received the necessary drilling permits and expects to commence location work in the next 30 days. With a spud anticipated in the September quarter. Grand Gulf has a 10.5% working interest in the West Klondike Prospect which covers an area of 640 acres in Iberville Parish, Louisiana. This prospect will be drilled to a total depth of 10,900ft.

The Company's share of the initial well costs is 14% (~US$450,000) of the total (including entry costs). In a success case the Company's share of completion costs are estimated to be a further US$65,000.

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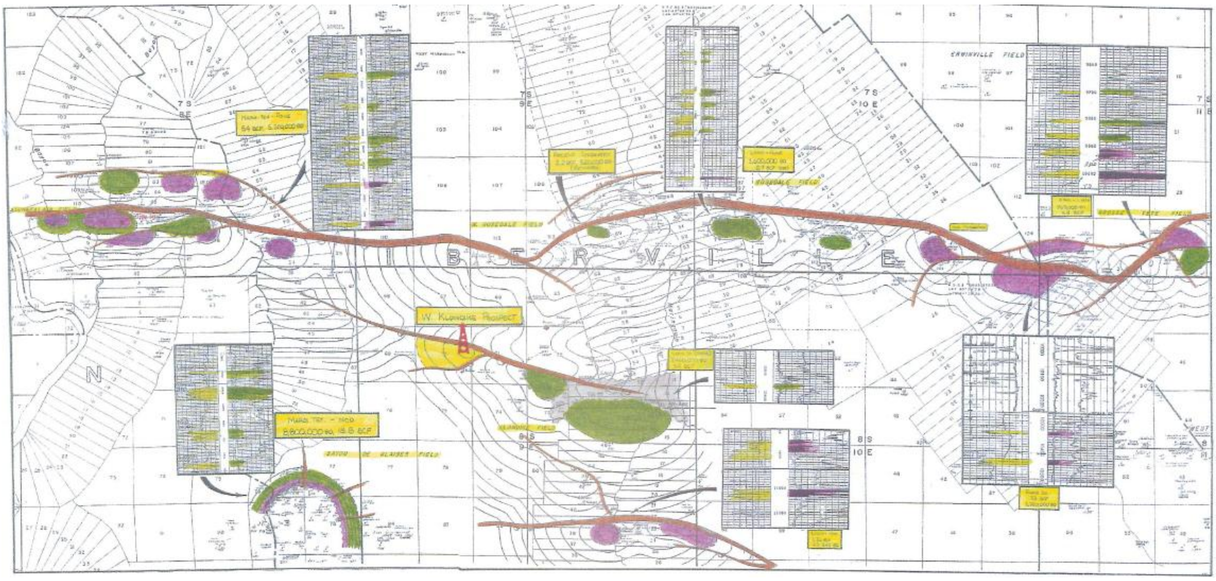

Map 1 (West Klondike Regional Geo Map)

Pintail Prospect

Pintail Prospect, St Martin Parish, LA, 5%WI, Non Operator

Following review of the final AFE for the Pintail project the Company has elected not to participate in the drilling of this well. With the Company's limited funds the additional costs and existing drilling risks made participation in the project too challenging. The Company did not incur any costs to secure the option over its previous 5% WI this project.

Vermillion River Prospect

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

The Company participated in the drilling of the R. J. Perrin et al Well No. 1, Vermilion River, well during the quarter. Unfortunately, although the well intersected potential oil and gas accumulations the electric logging confirmed that commercial recovery was unlikely.

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.

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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

GRAND GULF ENERGY LTD

ABN	Quarter ended ("current quarter")
22 073 653 175	30 June 2012

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date $A'000
1.1	Receipts from product sales and related debtors	1,189	2,631
1.2	Payments for (a) exploration & evaluation	(1,151)	(3,465)
	(b) development	(207)	(2,952)
	(c) production	(387)	(705)
	(d) administration	(174)	(789)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	8
1.5	Interest and other costs of finance paid	-	(18)
1.6	Insurance pre-payment (refundable)	-	395
1.7	Other (escrow of revenue)	(326)	(326)
	Net Operating Cash Flows	(1,055)	(5,239)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	(17)	(230)
	(b) equity investments	-	
	(c) other fixed assets		
1.9	Proceeds from sale of:		
	(a) prospects	-	7,310
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(17)	7,080
1.13	Total operating and investing cash flows (carried forward)	(1072)	1,841

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(1,072)	1,841
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2,496
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	1,050
1.17	Repayment of borrowings	-	(1,764)
1.18	Dividends paid		
1.19	Costs of Capital	-	(124)
	Net financing cash flows	-	1,658
	Net increase (decrease) in cash held	(1,072)	3,499
1.20	Cash at beginning of quarter/year to date	4,926	501
1.21	Exchange rate adjustments to item 1.20	(38)	(184)
1.22	**Cash at end of quarter**	3,816	3,816

Payments to directors of the entity and associates of the directors Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	138
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Payments include consulting and directors fees, fully serviced office and provision of Accountant

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	3,000
4.2	Development	-
4.3	Production	270
4.4	Administration	190
	Total	3,460

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	3,816	4,926
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	3,816	4,926

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Desiree	Farm out to partner	51.3%	40.5%
6.2	Interests in mining tenements acquired or increased	Leduc Reef	Acquisition of further WI 8%	14%	22%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	3,739,993,494	3,739,993,494		Fully paid
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** *(description)*				
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options**			Exercise price	Expiry date
	Unlis*ted Options*	45,000,000 13,775,000 6,000,000 1,000,000 40,000,000 75,000,000 90,000,000		$0.04 $0.04 $0.04 $0.05 $0.009 $0.009 $0.006	18 Sep 2012 2 Dec 2012 5 June 2013 24 Nov 2013 15 Mar 2014 6 May 2014 30 Nov 2013
	Listed Options	1,469,358,452	1,469,358,452	$0.015	30 June 2013
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				

+ See chapter 19 for defined terms.

7.11	Debentures (totals only)		
7.12	Unsecured notes (totals only)		
7.13	Partly paid shares		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Sign here: .... Date: 31/07/2012........................
(Director/Company secretary)

Print name: ....Mark Freeman...

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

+ See chapter 19 for defined terms.

5 Accounting Standards ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.