

ASX/Media Release

3 January 2012

VERMILION RIVER PROSPECT SPUD

- Well spud on 29 December 2011 and expected to reach TD in 100 days
- 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)

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

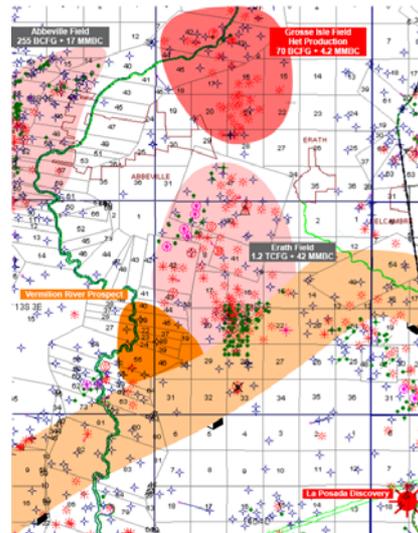
The Board is pleased to advise that the R. J. Perrin et al Well No. 1 spudded on 29 December 2011. The well has been partially turn-keyed to ~13,000ft. The Vermilion River Prospect covers an area of 2,925 acres in Vermilion Parish, Louisiana.

This prospect will be drilled to a total depth of 17,500ft straight hole. The Company's share of well costs is estimated at ~US\$1.05m. 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 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.

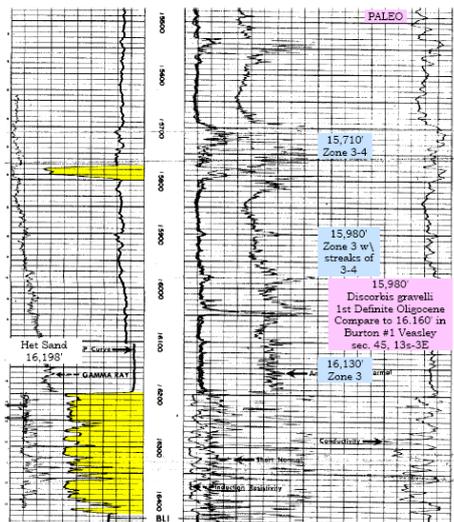
The initial well is targeting the most northerly of three prospective fault blocks with multiple objectives (Het 1A, 1, 2A and 2). The most likely resource potential of the initial fault block assumes 100ft of pay over 545 acres and is estimated to be 110 BCFG with 3.3 MMBC (upside potential of 185 BCFG 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.



Getty Oil Company

#1 PA Broussard

sec. 9, 13S-4E
Erath Field
Vermilion Pb., LA



Analog field

Grosse Isle Field (1980)

- Analogous structure, timing, depth and deposition
- 98 BCGF & 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 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 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.