



14 May 2012

VERMILION RIVER DRILLING UPDATE 8

HIGHLIGHTS

- Drilling ahead at 15,000ft
- 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 “We are very pleased to have progressed through a difficult transition zone and now have one more casing run at 15,600ft before drilling to the first (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.”

Board & Management

Mr Mark Freeman

Managing Director

Mr Charles Morgan

Executive Chairman

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Mr Stephen Keenihan

Non-Executive Director

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ASX Codes

GGE (3,739m)

GGEO (1,469m)



VERMILION RIVER PROSPECT

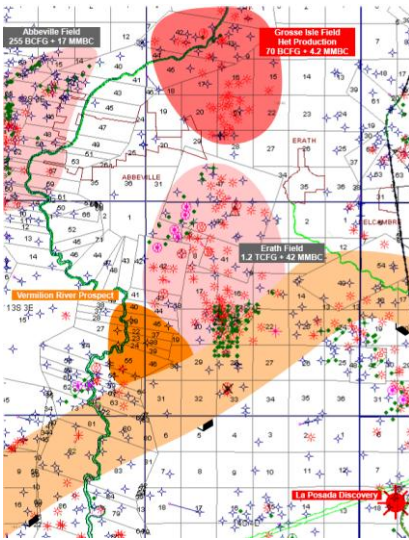
R. J. Perrin et al Well No. 1, Vermilion River, Vermilion Ph., LA, 7.83%WI, Non Operator

The Board advises that the R. J. Perrin et al Well No. 1 is presently drilling ahead at 15,000ft MD. The well is due to set an intermediate liner at 15,600ft. 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 well is likely to be at TD within the next 25 days. The operators insurance is expected to recoup a portion of the costs associated with getting the well back to 14,600ft following the previous uncontrolled flow at that depth.

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 BCF gas representing the largest prospect in the Company's exploration inventory. The anticipated high condensate yields make the prospect even more attractive.



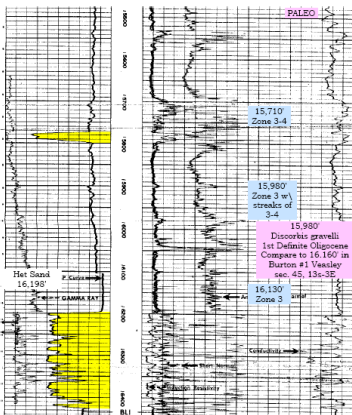
The proposed well is designed to penetrate and test multiple U Oligocene Heterostegina. sand units in a three way dip closure. With 500ft of structural relief the Vermilion River structure is situated within a Het mini embayment bounded by a series of expansion faults north of the prospect. Het sands 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.

Getty Oil Company
#1 PA Broussard
sec. 4, 13E - 4E
Erath Field
Vermilion Ph., 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, 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.