QUARTERLY REPORT

For Quarter ending 31 December 2011

HIGHLIGHTS

- Napoleonville development well Dugas & Leblanc #3 commenced production in the “M” sand. It commenced production at 160 BOPD and has steadily risen on same choke. It is presently producing at 285 bopd and 1 mmcfg per day (representing net monthly revenue of US$220,000 after costs).
- Abita well flow tested at commercial production rates in the lower three of nine logged hydrocarbon bearing intervals. Facilities are being constructed for production to commence in 1st Quarter 2012 quarter. Recoverable reserves estimated at 8BCFG and 350-700 thousand barrels oil.
- Vermilion River currently drilling ahead at 10,539ft. Vermilion is a high impact prospect targeting 3.3 MMBC & 110 BCFG (up to 5.5 MMBC & 185 BCFG).
- Successful Farmout of Napoleonville Project providing experienced prospect generators and ~US$1m of carried expenditure
- Grizzly and Lyons Point were both plugged and abandoned after failing to encounter commercial hydrocarbons.

COMPANY OVERVIEW

ASX Codes:	GGE / GGEO
Share Price:	0.3c / 0.1c
Shares	3,739m
Listed Options	1,469m (1.5c)
Mkt cap	$11.3m

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

DRILLING & EXPLORATION PROGRAM

Program	Date	P50 Oil (net)	P50 Gas (net)	* Gross Value of Product
Vermilion	Drilling	260-430 MBO	8.5-14.5 BCF	$US64MM
W. Klondike	Mar/Apr 12	210-500 MBO	0.6-1.7 BCF	$US23.8MM
Leduc	Feb 12	170-1,680 MBO	-	$US16.8MM
Desiree	April 12	310-420 MBO	-	$US31.2MM
Total		950-3,030 MMBO	9.1-16.2 BCF	

PRODUCTION AND DEVELOPMENT PROGRAM

D&L#3	Prod.	160 MBO	.5 BCF	US$18MM
Abita	ETA Feb	70-140 MBO	1.6 BCF	US$14MM
Total		230-300 MBO	2.1 BCF	

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

South Louisiana

- *D&L#3 – On production at 285 bopd & 1 mmcfgd with reserve potential of 400,000 bbl’s and 1.2 BCFG.*
- *Abita – production to commence Feb -- likely recoverable reserve of 8 BCF and 350-700 MMBLs*
- *Vermilion River – drilling ahead 10,226ft*

Energy Prices

WTI	*$98.70 (BBL)*
Henry Hub	*$2.50 (MMBTU)*

Major Shareholders

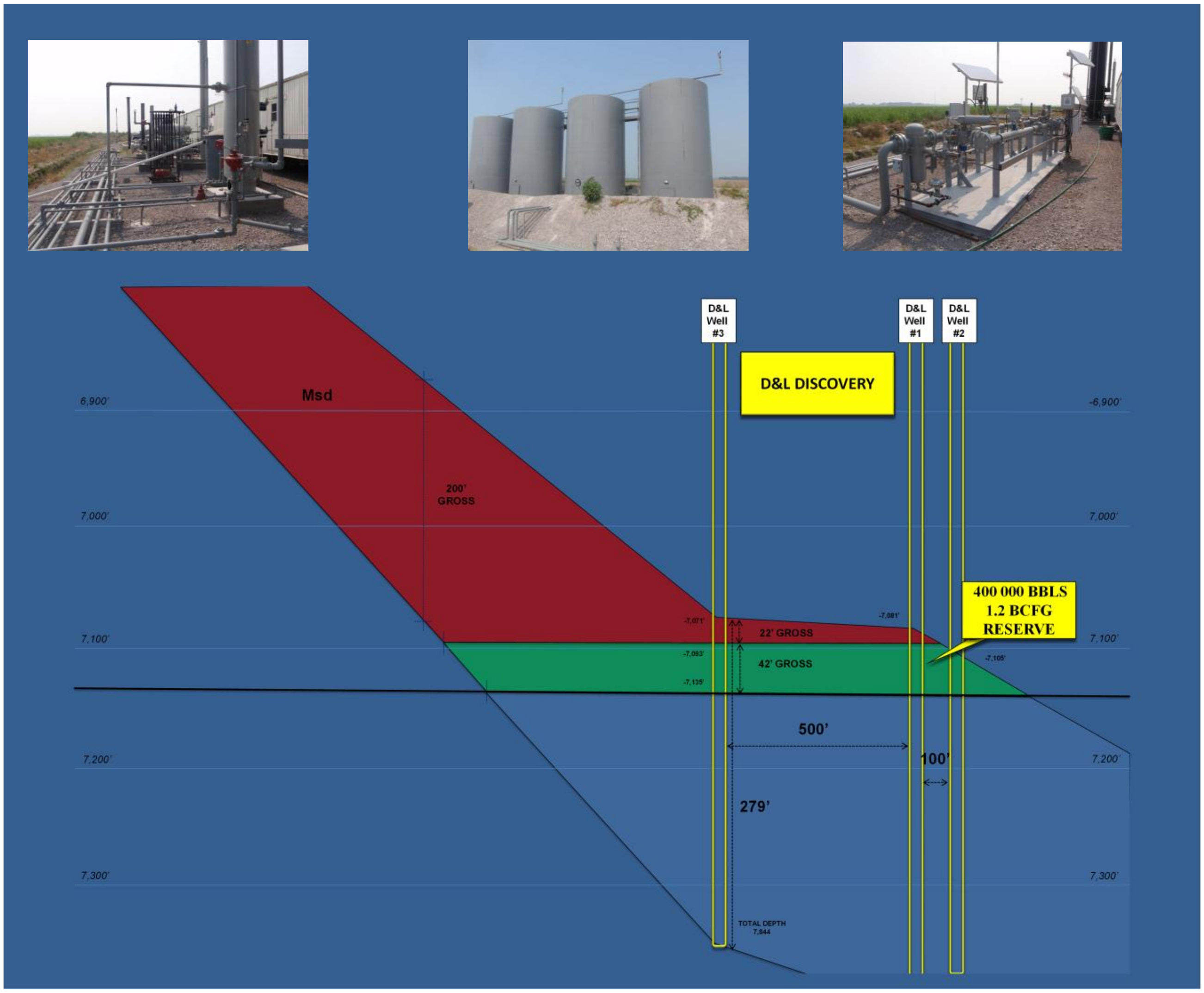
Charles Morgan	*19.95%*
Craig Burton	*10.21%*
Macquarie Bank	*5.56%*

DUGAS & LEBLANC #3 ON PRODUCTION IN "M" SAND

Napoleonville- Dugas & Leblanc #3 Well, Assumption Parish, Louisiana, Non Operator 39.5% WI

The D&L#3 "M" sand was successfully perforated and placed on production on 18 October 2011 with initial flow rates of 160 BOPD, 1,150 MCFD and 16 BSWPD from a 9/64 inch choke. The well is presently producing at 285 BOPD, 1 MMCFD and 0 BSWPD through a 10/64 inch choke. The well is presently producing consistently with expectations and monthly revenue net to the Company is ~ US$220,000 after royalties and operating costs.

All production is presently being processed through existing facilities (see images below).



The Company has estimated hydrocarbon potential in the M sand as follows:

	Oil (BBL)	Gas (MCF)
Projected Recoverable Reserve	400,000	1,200,000

The reserve potential of the M sand is expected to increase with reservoir performance data. Following further seismic and analogue interpretational work the M sand may have further updip potential of an additional 10-12 BCF of gas, which if confirmed will need to be recovered from either a development well or side track to the D&L#3.

Partners in the D&L#3 well are:

Company	WI
Grand Gulf Energy Ltd	40%
Golden Gate Petroleum Ltd	15%
Other Partners	45%

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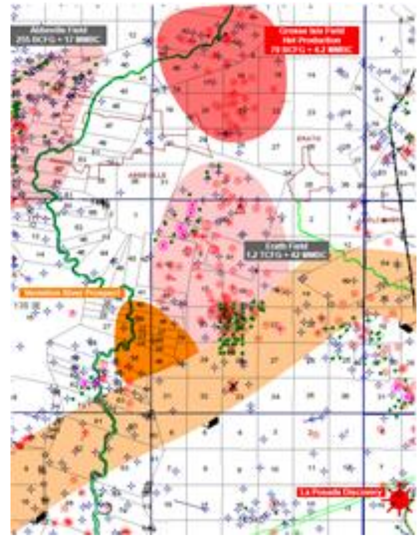
VERMILLION RIVER PROSPECT DRILLING UPDATE

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

The R. J. Perrin et al Well No. 1 is presently drilling ahead at 10,539ft. The well costs have been partially turn-keyed to ~13,000ft.

The Vermilion River Prospect covers an area of 2,925 acres in Vermilion Parish, Louisiana.



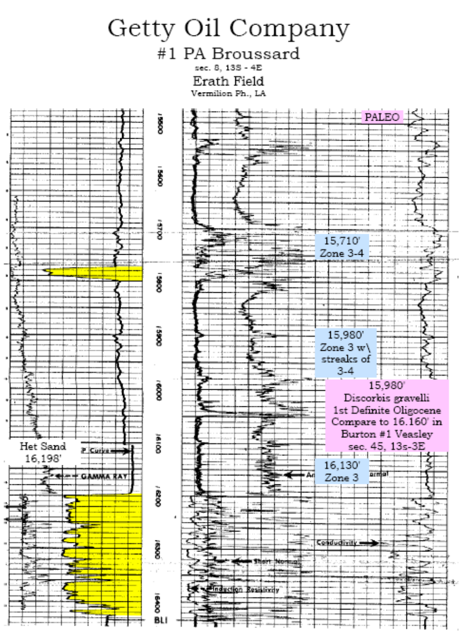
The initial well is targeting the most northerly of three prospective fault blocks with multiple objectives (Het 1A, 1, 2A and 2). The most likely resource potential of the initial fault block assumes 100ft of pay over 545 acres and is estimated to be 110 BCFG with 3.3 MMBC (upside potential of 185 BCFG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

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.

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.



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/mmcfg)

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

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NAPOLEONVILLE FARMOUT COMPLETED

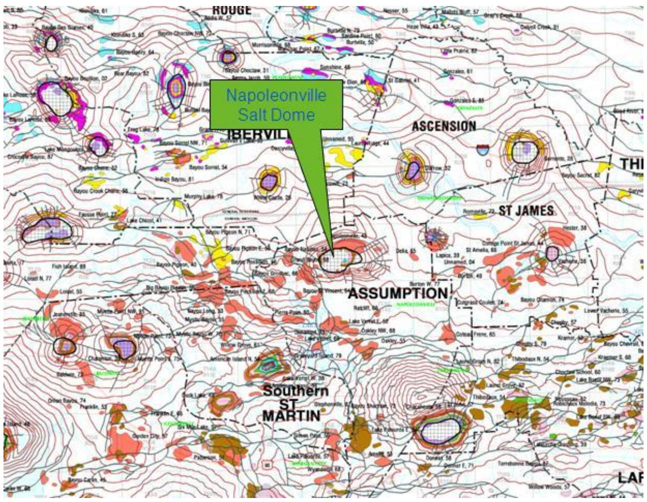
The Company recently completed a partial farm-out of parts of its interests at the Napoleonville Salt Dome to a private US onshore oil and gas company.

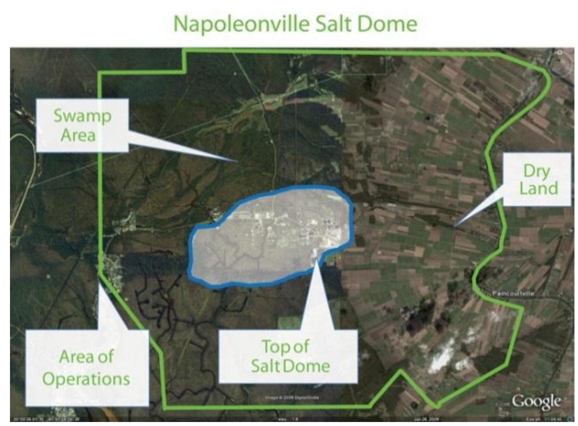
The terms of the farm-out are summarized below:

- Reprocessing and re-interpretation of the seismic (at no cost to the Company).
- Partner will have 6 months from receipt of seismic data and tapes to propose a deep well targeting the highly prospective Marg Vag/Cib Haz structures and will then have a further 3 months to propose a second Marg Vag/Cib Haz well with both wells 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% towards costs associated with dry hole drilling costs of these prospects.
- The Desiree Prospect and the currently producing Dugas & Leblanc Field have been excluded from this farm-out.

This farm-out will provide Grand Gulf with a dedicated partner who has the significant and specific geological and geophysical expertise warranted for a project of this size and complexity. The Board is very pleased with the completion of this farm-out and looks forward to working with its new partner.

Financially the Company is likely to receive over US$1m in free carried expenditure towards drilling costs on the two wells and the interpretation and reprocessing costs.





The Desiree Prospect has advanced significantly with all leases having been secured. The prospect has been excluded from the farm-out and is targeting an accumulation of oil in a well defined updip block from an interval that produced 2.3 million barrels equivalent. The prospect is likely to contain between 600,000 to 800,000 bbls of oil and represents a low risk drilling operation. The Company anticipates to spud the well in April 2012.

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LEDUC REEF PROSPECT ACQUISITION

Highlights

- **Acquisition of 14% of Leduc Reef Prospect.**
- **Leduc Reef prospect is targeting 1.2 million barrels of oil, upto 12 MMBLS oil.**
- **Well anticipated to spud in late February 2012 and take 21 days to drill.**

Leduc Reef Prospect, Non Operator 14% WI

During the quarter the Company acquired a 14% working interest in the Leduc Reef Prospect, operated by Weiser-Brown Operating in Lafayette County, Arkansas.

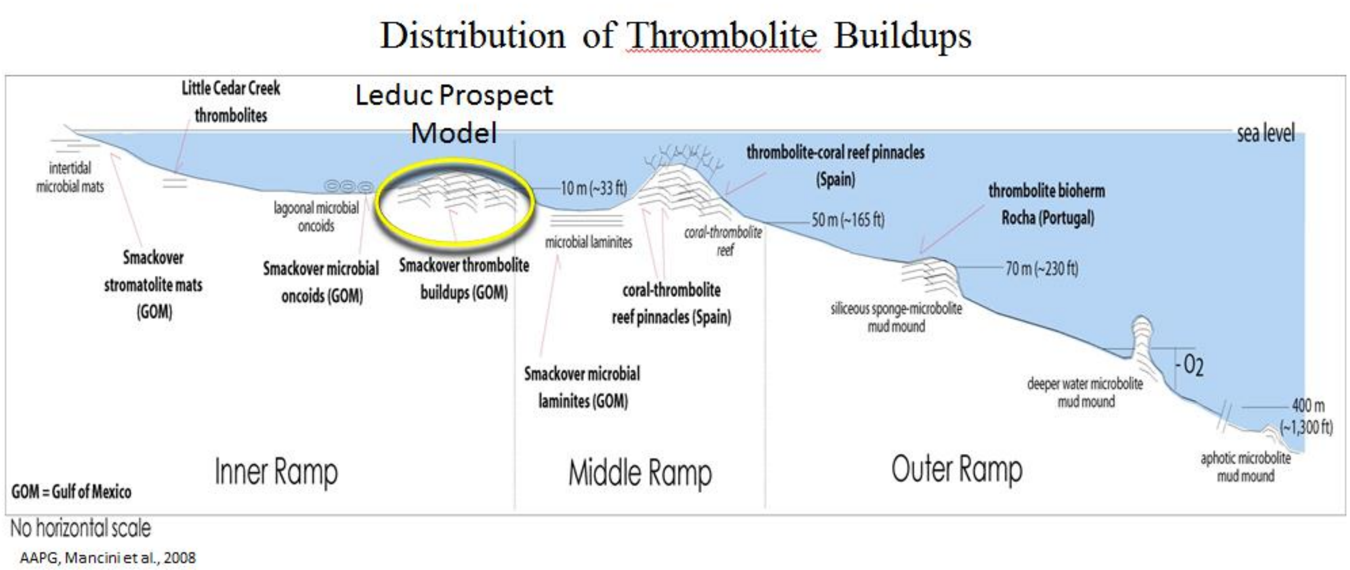
The prospect will be drilled to a total depth of 8,500ft. The most likely resource potential is 1.2 MMBL oil with upside potential of 12 MMBL oil in the event the field is proven up. The well is expected to take 21 days to drill. Production rates are estimated to be 100-300 bbls of oil per day. The well is planned to spud in February 2012.

Porosity development within the Smackover has been proven in the nearby Midway Field with over 60 MMBO 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 an ideal location for the formation of carbonate buildups. The age of the prospect is upper Middle Jurassic to lower Upper Jurassic. During this time the Gulf of Mexico was just beginning to open, creating lacustrine to shallow marine environments within the continent. Hydrocarbon sourcing is from the associated lacustrine facies lateral to the mounds and associated. Quiet marine environments allowed for the bio-carbonate mounding followed by a restricted seaway and thick salt accumulations to provide an excellent top seal. 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.

This is a new field wildcat and play type for the area. Success will open up further opportunities available to Grand Gulf and under the LOI Grand Gulf have 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$220,000 (includes entry costs). In a success case the Company's share of completion and facilities costs are a further US$50,000.



The Company is paying 18.33% to earn a 14% working interest on the first well. The net revenue interest being delivered is 75%.

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Abita Facilities

Abita Development Update

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

The operator has confirmed that first sales are expected to commence early February. The barge and facilities are close to completion at location and final permits are imminent. Production rates will be monitored closely with the well having the potential to be dual completed.

Lyons Point & Grizzly Well Results

The Company participated in the drilling of the Pruitt et al #1 (Lyons Point) and SL19965 (Grizzly) wells during the quarter. Unfortunately, although the wells intersected potential oil and gas accumulations the electric logging confirmed that commercial recovery was unlikely and both wells were plugged and abandoned.

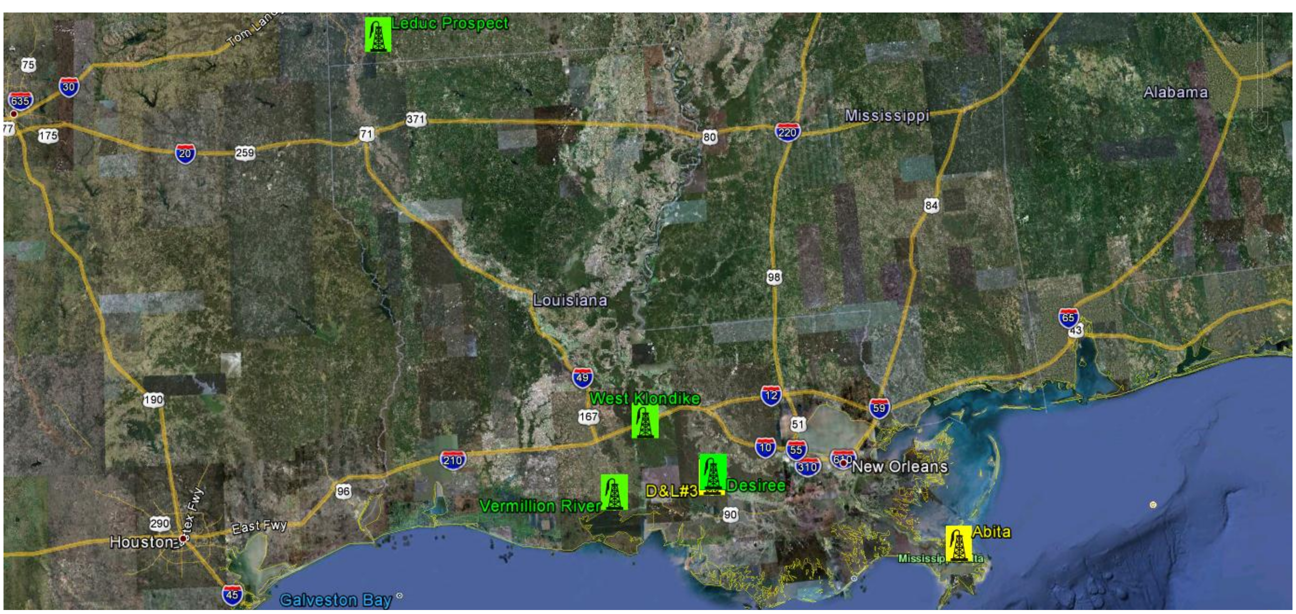
Fortunately the Company had reduced its drilling risk cost by accepting turnkey drilling contracts which limited gross drilling cost exposure to $425,000 and $495,000 respectively.

AGM RESULTS

The Company confirms that all resolutions put to shareholders at the Annual General Meeting held on 30 November 2011, were carried unanimously on a show of hands.

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	31 December 2011

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	263	399
1.2	Payments for (a) exploration & evaluation	(1,372)	(1,765)
	(b) development	(994)	(2,067)
	(c) production	(25)	(36)
	(d) administration	(178)	(410)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	4	4
1.5	Interest and other costs of finance paid		(18)
1.6	Insurance pre-payment (refundable)		395
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(2,302)	(3,498)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of:		
	(a) prospects		7,173
	(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		7,173
1.13	Total operating and investing cash flows (carried forward)	(2,302)	3,675

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(2,302)	3,675
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	3	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	10	(123)
	Net financing cash flows	13	1,659
	Net increase (decrease) in cash held	(2,289)	5,334
1.20	Cash at beginning of quarter/year to date	8,254	502
1.21	Exchange rate adjustments to item 1.20	(12)	117
1.22	**Cash at end of quarter**	5,953	5,953

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	167
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	1,160
4.2	Development	200
4.3	Production	50
4.4	Administration	150
	Total	1,560

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	5,953	8,254
5.2	Deposits at call		
5.3	Bank overdraft		
5.4	Other (provide details)		
	Total: cash at end of quarter (item 1.22)	5,953	8,254

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				
6.2	Interests in mining tenements acquired or increased	Leduc Reef Vermillion Grizzly	Held through to Subsidiary Held through to Subsidiary Held through to Subsidiary	0 0 0	14 7.83 5.25

+ See chapter 19 for defined terms.

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		
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
	Unlisted Options	45,000.000		$0.04	18 Sep 2012
		13,775.000		$0.04	2 Dec 2012
		6,000,000		$0.04	5 June 2013
		1,000,000		$0.05	24 Nov 2013
		40,000,000		$0.009	15 Mar 2014
		75,000,000		$0.009	6 May 2014
		90,000,000		$0.006	30 Nov 2013
	Listed Options	1,469,545,952	1,469,545,952	$0.015	30 June 2013
7.8	Issued during quarter	90,000,000		$0.006	30 Nov 2013
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: 16/01/2012........................
(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.