



21 May 2012

VERMILION RIVER DRILLING UPDATE 9

HIGHLIGHTS

- Drilling ahead at 15,707ft
- 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 “The Operator has advised that it may be able to drill through the Het 1A sand without setting a liner. The first (secondary) target is 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
Vermilion	Drilling (15,707ft)	260-430	8.5-14.5
Austin Bayou	May 12	40-60	2.7-4
Leduc	June 12	170-1,680	-
Desiree	July 12	30-410	6-12
W. Klondike	Aug 12	210-500	0.6-1.7
Pintail	Nov 12	120-280	7.5 – 17.5
Total		1,121-3,358	27.5-52

PRODUCTION

D&L#3	Prod.	160	.5
Abita	Prod.	70-140	1.6
Total		230-300	2.1

Board & Management

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Mr Charles Morgan

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ASX Codes

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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.