Grand Gulf Energy Limited

(Formerly known as Alto Energy International Ltd)

ABN 22 073 653 175

Financial Report

for the financial year ended

30 June 2008

CORPORATE DIRECTORY

CORPORATE DIRECTORY

DIRECTORS
Mr Charles Morgan - Chairman
Mr James Trimble – Managing Director and CEO
Mr Stephen Keenihan – Non-executive Director
Mr Allan Boss – Non-executive Director

COMPANY SECRETARY
Mr Mark Pitts

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ASX CODE
GGE

ABN
22 073 653 175

Grand Gulf Energy's Board and Corporate Governance

The Board of directors of Grand Gulf Energy Limited is responsible for the corporate governance of the consolidated entity and is committed to applying the ASX Corporate Governance Council *Principles of Good Corporate Governance and Best Practice Recommendations* ("ASX Principles") where practicable. The Board guides and monitors the business and affairs of Grand Gulf Energy Limited on behalf of the shareholders. It is a requirement of the Board that the Company maintains high standards of ethics and integrity at all times.

The ASX Principles are an important regulatory guide for listed companies reporting on their corporate governance practices. Under ASX Listing Rule 4.10.3, listed companies must disclose the extent to which they have followed the ASX Principles, and if any of the recommendations have not been followed then the Company must explain why not.

The requirements under Listing Rule 4.10.3 apply to Grand Gulf Energy for the financial year ended 30 June 2008 and this corporate governance statement sets out and explains any departures by Grand Gulf Energy from the ASX Principles.

The Grand Gulf Energy Corporate Governance Website

Important information relating to Grand Gulf Energy's corporate governance policies and practices are set out on the Company's website at www.grandgulfenergy.net. The following documents are summarised on the website and are available in full from the Company:

- Board Charter;
- Code of Conduct;
- Communications Strategy Policy;
- Continuous Disclosure Policy;
- Securities Trading Policy;
- Risk Policy;
- Remuneration Policy; and
- Remuneration Committee Charter.

Grand Gulf Energy undertakes a regular review of its corporate governance policies and practices and is continuing to update its policies and practices to reflect developing corporate governance requirements and practices.

The Role of the Board and the Board Charter

The Board's Duties

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations and strives to meet those expectations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

The role of the Board is to oversee and guide the management of Grand Gulf Energy with the aim of protecting and enhancing the interests of its shareholders and taking into account the interests of other stakeholders including employees and the wider community.

The Board has adopted a formal Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities. A summary of the Board Charter has been posted on the corporate governance section of the Company's website.

The Board is responsible for setting the strategic direction of the Company, establishing goals for management and monitoring the achievement of those goals. The Managing Director is responsible to the Board for the day to day management of the Company.

Code of Conduct

Directors of the Company are also subject to Grand Gulf Energy's Code of Conduct (see further discussion below). The Code of Conduct is considered by the Board to be an effective way to guide the behaviour of all directors and employees and demonstrates the Company's commitment to ethical and compliant practices.

The Composition of Grand Gulf Energy's Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least 3 directors;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet regularly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

As at the date of this report, the Board comprises a non-executive chairperson, one executive director and a further two non-executive directors. Details of the directors are set out in the Directors' Report.

Independence of Directors

The Board has reviewed the position and associations of each of the four directors in office at the date of this report and considers that two of the directors are independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

The Board considers that Mr Boss meets the criteria in Principle 2. He has no material business or contractual relationship with the Company, other than as a director and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, he is considered to be independent.

The Board considers that Mr Keenihan meets the criteria in Principle 2. He has no material business or contractual relationship with the Company, other than as a director and no conflicts of interest which could interfere with the exercise of independent judgement.

The Board considers that Mr Morgan does not meet the criteria in Principle 2 as he is deemed to be a substantial shareholder of the Company as outlined by the *Corporations Act 2001.*

Mr Trimble is employed in an executive capacity by the Company and so can not be considered to be independent.

The Grand Gulf Energy Board did not have a majority of independent directors throughout the entire financial year, and therefore was not in compliance with Best Practice Recommendation 2.1 for the entire period. The Board considered that given the Company's stage of development and resources available that it was not in the best interests of maximising the efficiency of the Board and developing the Company's business to have a majority independent Board.

The directors will continue to monitor the composition of the Board to ensure its structure remains appropriate and consistent with effective management and good governance.

Nomination and Appointment of New Directors

The Board does not have a separate Nomination Committee as the selection and appointment process for Directors is carried out by the full Board in accordance with the Company's Constitution. The Company is not of a sufficient size to warrant a separate committee.

The Constitution of the Company requires one third of the directors, other than the Managing Director, to retire from office at each Annual General Meeting. Directors who have been appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire at that Annual General Meeting.

Grand Gulf Energy's Board Meetings

The Board met 6 times between 1 July 2007 and 30 June 2008.

The Board meets formally at least 4 times each year, and meetings are often convened outside the scheduled dates to consider issues of importance.

Directors' attendance at Board and Committee meetings is detailed on page 19 of this annual report.

Performance Review

The Board's policy with respect to performance evaluation is to review its performance and that of its Committees and executive management at least annually. The Chairman discusses with each director, on a one on one basis, their contribution to the Board.

The method of the assessment is to be set by the Board.

Due to the changes in Board structure and strategic direction of the business the Board has not undertaken a performance evaluation of itself or each director before the date of this annual report.

The Board will continue to review the need for a performance evaluation to be conducted.

Board Members' Rights to Independent Advice

The Board has procedures to allow directors, in the furtherance of their duties as directors or members of a Committee, to seek independent professional advice at the Company's expense, subject to the prior written approval of the Chairman.

Remuneration for directors and executives

A brief discussion on the Company's remuneration policies in respect of directors and executives is set out on pages 13 and 15 of this annual report. Detailed disclosure of the remuneration paid to the Company's directors and executives is set out on pages 15 to 18.

Remuneration paid to the Company's directors and executives is determined with reference to the market level of remuneration for other listed oil and gas companies both in Australia and the USA. This assessment is undertaken with reference to advice and comment provided by various search executive firms operating in the sector.

Bonuses which may be paid to the Company's directors and executives will be determined and paid on the basis of the Company's performance reflected through increases in the market capitalisation of the Company and upon successful capital raisings.

Share options are awarded under the Employee Share Option Plan to the Company's directors and executives and are determined on the individuals' performance against milestones, the level of involvement in achieving the corporate milestones and goals and to an extent the relativity between executives.

Total remuneration for non-executive directors is determined by resolution of shareholders. The Board determines actual payments to directors and reviews their remuneration annually, based on independent external advice, relativities and the duties and accountabilities of the directors. The maximum available aggregate remuneration approved for non-executive directors is $200,000.

Non-executive directors may provide specific consulting advice to the Company upon direction from the Board. Remuneration for this work is made at market rates.

Non-executive directors do participate in the Company's Employee Share Option Plan, given the Company's size and stage of development and the necessity to attract the highest calibre of professionals to the role, whilst maintaining the Company's cash reserves.

The equity based executive remuneration is made under the Company's Employee Share Option Plan ("Plan").

Remuneration Committee

The Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The Board has created a separate Remuneration Committee comprised of the Non-Executive Directors to assist it with deliberations.

The Board ensures that all matters of remuneration are in accordance with Corporations Act requirements, by ensuring that none of the Directors participates in any deliberations regarding their own remuneration or related issues.

Integrity in Financial Reporting

Consistent with ASX Principle 4.1, the Company's financial report preparation and approval process for the financial year ended 30 June 2008 involved both the Managing Director and the Company Secretary providing detailed representations to the Board covering:

- compliance with Grand Gulf Energy's accounting policies and relevant accounting standards;
- the accuracy of the financial statements and that they provide a true and fair view;
- integrity and objectivity of the financial statements; and
- effectiveness of the system of internal control.

Audit and Compliance Committee

The Board reviews the performance of the external auditors on an annual basis and meets with them during the year to review findings and assist with Board recommendations.

The Board no longer has a separate Audit Committee with a composition as suggested in the best practice recommendations. The full Board carries out the function of an audit committee.

The Board believes that the Company is not of a sufficient size to warrant a separate committee and that the full board is able to meet objectives of the best practice recommendations and discharge its duties in this area.

The Board is directly responsible for the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting.

Risk Identification and Management

The Grand Gulf Energy Board accepts that taking and managing risk is central to building shareholder value. The Board manages Grand Gulf Energy's level of risk by adhering to a formal Risk Policy statement. The Grand Gulf Energy Risk Policy statement is available from the corporate governance section of the Company's website.

The Board has primary responsibility for oversight of the financial risks of the Company with particular emphasis on Grand Gulf Energy's accounting, financial and internal controls. The Board will receive regular reports from the external auditor on critical policies and practices of the Company and in relation to alternative treatments of financial information.

The Company employs executives and retains consultants each with the requisite experience and qualifications to enable the Board to manage the risks to the Company. The Board reviews risks to the Company at regular Board meetings.

Securities Trading by Grand Gulf Energy Directors and Employees

The Grand Gulf Energy Securities Trading Policy summarises the law relating to insider trading and sets out the policy of the Company on directors, officers, employees and consultants dealing in securities of Grand Gulf Energy.

A summary of the Securities Trading Policy has been posted to the corporate governance section of the Company's website. This policy is provided to all directors and employees and compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

Continuous Disclosure

Grand Gulf Energy has established policies and procedures in order to comply with its continuous and periodic disclosure requirements under the *Corporations Act 2001* (Cth) and the ASX Listing Rules. The Grand Gulf Energy Board has adopted a formal Continuous Disclosure Policy, a summary of which is available from the corporate governance section of the Company's website.

The Company Secretary and Chairman have primary responsibility for the disclosure of material information to ASIC and ASX and maintain a procedural methodology for disclosure, as well as for record keeping.

Grand Gulf Energy's Continuous Disclosure Policy requires all management to notify the Managing Director, or the Company Secretary in his absence, of any potentially material information as soon as practicable. The Policy also sets out what renders information material.

Shareholder Communications

The Board's formal policy on communicating with shareholders, its Communications Strategy Policy, is available from the corporate governance section of the Company's website and supplements Grand Gulf Energy's Continuous Disclosure Policy.

The aim of the Communications Strategy Policy is to make known Grand Gulf Energy's methods for disclosure to shareholders and the general public. The Policy details the steps between disclosure to ASIC and ASX and communication to shareholders, with the Company's website playing an important role in Grand Gulf Energy's communications strategy.

The Board reviews this policy and compliance with it on an ongoing basis.

To add further value to Grand Gulf Energy's communications with shareholders, the external auditor will be requested to attend the Company's AGM and be available to answer shareholders' questions about the conduct of the audit and the preparation of the auditor's report.

Conduct and Ethics

Grand Gulf Energy has adopted a Code of Conduct which covers a broad range of issues and refers to those practices necessary to maintain confidence in Grand Gulf Energy's integrity, including procedures in relation to:

- compliance with the law;
- financial records;
- contributions to political parties, candidates or campaigns;
- occupational health and safety;
- confidential information;
- conflict of interest;
- efficiency;
- equal opportunity;
- corporate bribery; and
- membership to industry and professional associations.

The Code directs individuals to report any contraventions of the Code to their superior or the Managing Director.

The Directors of Grand Gulf Energy Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2008.

DIRECTORS

The names and details of the directors of the Company in office during the financial year and until the date of this report, unless otherwise stated, are:

Mr Charles Morgan
Non-Executive Director and Chairman
Appointed 19 January 2006

Mr Morgan is an experienced oil and gas investor and a listed company director. He founded Golden Triangle Energy Inc, now Grand Gulf Energy Inc, a wholly owned subsidiary of the group. Mr Morgan was also a founder of SOCDET (now Nido Petroleum Limited), West Oil NL (ASX listed entity) and Fusion Oil & Gas plc.

During the past three years Mr Morgan held a directorship in Commoditel Limited. He is currently Chairman of Jutt Holdings Limited and is a director of Gateway Capital Limited.

Mr James Trimble
Managing Director & CEO
Appointed 22 February 2006

Mr Trimble is a Registered Professional Engineer, graduating from Mississippi State University where he majored in Petroleum Engineering. Mr Trimble is based in Houston, Texas, USA.

Mr Trimble has over 35 years of experience in the oil and gas industry serving initially in operational and engineering roles, and has served in many management roles.

Mr Trimble served as a senior executive of Cabot Oil & Gas Company, directing the company in its exploration efforts and implementing a 3D seismic program that resulted in finding 500 BCF of potential reserves.

During the past three years, Mr Trimble has also served as President, CFO and Chairman of the board of Tri-Union Development Corporation. He is a director of the privately held Seisgen Exploration Inc. which is an exploration company with assets in Texas.

Mr Allan Boss
Non-Executive Director
Appointed 13 November 2006

Mr Boss is a Houston-based banker and lawyer with 30 years experience providing legal services and representations to the oil and gas industry and was lead counsel to NiScience Inc, a Fortune 500 energy utility.

Former directorships in last 3 years – none.

Mr Stephen Keenihan
Non-Executive Director
Appointed 13 November 2006

Mr Keenihan is a geologist with more than 30 years experience in the upstream oil and gas industry and extensive international experience. He was previously exploration manager for Apache Australia and LASMO, regional managers Australia for Novus Petroleum and WMC Resources Petroleum Division. He has managed exploration, development, operations, commercial and marketing activities in the energy industry.

Former directorships in last 3 years – none.

COMPANY SECRETARY

Mr Mark Pitts
Company Secretary
Appointed 31 January 2007

Mr Pitts is a Chartered Accountant with over twenty years experience in statutory reporting and business administration. He has been directly involved with, and consulted to a number of public companies holding senior financial management positions. He is a partner in the corporate advisory firm Endeavour Corporate. Endeavour offers professional services focused on Company Secretarial support, corporate advice, supervision of ASIC and ASX reporting and compliance requirements, and commercial and financial support.

CORPORATE INFORMATION

Corporate Structure

Grand Gulf Energy Limited (formerly Alto Energy International Limited) is a company limited by shares that is incorporated and domiciled in Australia. Grand Gulf Energy Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial period.

Nature of Operations and Principal Activities

The principal activity of the consolidated entity during the financial year was the exploration and evaluation of oil and gas leases.

There has been no significant change in the nature of these activities during the period.

REVIEW AND RESULTS OF OPERATIONS

For the financial year ending 30 June 2008, the loss attributable to members of the consolidated entity is $1,412,001 (2007: loss $2,859,092).

Review of operations of Grand Gulf Energy Limited consolidated group

During the financial year the Group has moved towards extracting the value identified in its US assets for shareholders. The pace has been slower than anticipated however the Board is confident that the significance of the Napoleonville Seismic data and the prospects it will reveal together with the drilling success being reported will contribute to a more fruitful year for shareholders in 2009.

As at 30 June 2008 the consolidated cash position was $2,412,488 (2007: $5,706,863).

Exploration expenditure was $7.06m (2007: $6.66m).

5 million shares were issued during the year (refer note 14) subsequent to exercise of options by a director.

In addition in November 2007 the Company successfully completed a non-renounceable entitlement issue of 74,464,156 options exercisable at $0.06.

SUBSEQUENT EVENTS

On 18th September, 2008 the company finalised a Working Capital Facility Agreement with Macquarie Bank Limited. The facility has a limit of US $50 million with an initial borrowing base of US $2.5 million which refinances the existing facility, in addition to providing a further US $2 million.

Macquarie bank has now been issued with 45 million options in Grand Gulf Energy Ltd to be exercised on or before 11th September 2012 at a price of $0.04.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the directors, there were no other matters that significantly affected the state of affairs of the consolidated entity during the financial period, other than those referred to in the review of operations.

DIVIDENDS

The directors recommend that no amount be paid by way of dividend. No dividend has been paid or declared since the start of the financial period.

STRATEGY AND FUTURE PERFORMANCE

Information about the business strategies of the consolidated entity and its prospects for the future has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

SHARE OPTIONS

As at the date of this report, there were a total of 145,589,156 unissued ordinary shares under option (100,589,156 at balance date). Refer to note 14 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of an option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

During the financial year, the Company issued 3,000,000 options under the shareholder approved Employee Share Option Plan. Details regarding the issue of share options under this plan are provided in note 26 of the financial statements.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report the interests of the Directors in the shares and options of Grand Gulf Energy Limited were as follows:

	Grand Gulf Energy Limited			
	Ordinary Shares		Options	
	Held Directly	Held Indirectly	Held Directly	Held Indirectly
Mr J Trimble	37,364,815	-	10,053,719	-
Mr C Morgan	9,562,500	11,019,625	12,121,876	3,478,501
Mr A Boss	325,000	-	2,053,719	-
Mr S Keenihan	1,580,000	-	2,366,219	-

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Grand Gulf Energy Limited. The report has been set out under the following main headings:

A. Principles Used to Determine the Nature and Amount of Remuneration (audited)
B. Service Agreements (audited)
C. Details of Remuneration (audited)
D. Share-based Compensation (audited)
E. Additional Information (audited)

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A. Principles Used to Determine the Nature and Amount of Remuneration (audited)

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and Executive Officers. The Remuneration Committee will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are paid their base emolument in cash only.

To assist in achieving these objectives, the Remuneration Committee will link the nature and amount of executive Directors' and officers' emoluments to the Company's financial and operational performance.

Executive Officers are those directly accountable for the operational management and strategic direction of the Company and the consolidated entity.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board has also considered the advice of independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Fixed remuneration

Fixed remuneration consists of a base remuneration package, which includes directors' fees (in the case of Directors), salaries, consulting fees and employer contributions to superannuation funds.

Fixed remuneration levels for Directors and executive officers are reviewed annually by the Remuneration Committee through a process that considers the employee's personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data. Recommendations for remuneration levels are given by the Remuneration Committee to the Board for approval.

Key performance indicators (KPIs) are individually tailored by the Remuneration Committee for each director and executive officer each year, and reflect an assessment of how that employee can fulfil their particular responsibilities in a way that best contributes to Company performance and shareholder wealth in that year.

Performance-linked remuneration

All employees may receive bonuses and/or share options as part of a package to retain their services and/or based on achievement of specific goals related to performance against individual KPIs and to the performance of the Company as a whole as determined by the directors, based on a range of factors. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors relating to the advancement of the Company's exploration and development activities and relationships with third parties and internal employees.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

The Remuneration Committee determines the total amount of performance-linked remuneration payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year). Once the Remuneration Committee has determined the total performance-linked remuneration payable across the Company, Committee members assess the performance of each individual staff member within their department, relative to that staff member's KPIs and decide how much performance-linked remuneration should be paid to that person.

B. Service Agreements (audited)

Remuneration and other terms of employment for the Managing Director is formalised in a service agreements. The agreement provides for the provision of performance-related cash bonuses, other benefits including health insurance, car allowances, and participation when eligible, in the Grand Gulf Energy Limited Employee Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

The contracts may be terminated early by the company with reason or by the executive, with three months notice, or by the company without reason, giving 12 months notice, subject to termination payments as detailed below:

Mr J Trimble, Managing Director

- Agreement commenced 22 Feb 2006.
- Base salary, inclusive of superannuation, for the year ended 30 June 2008 of USD 275,000, to be reviewed annually by the remuneration committee
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 or 12 months' base salary depending upon the reason for termination.

C. Details of Remuneration (audited)

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 "Related Party Disclosures") of Grand Gulf Energy Limited and the Grand Gulf Energy Limited consolidated group are set out in the following tables:

The key management personnel of Grand Gulf Energy Limited and the Grand Gulf Energy Limited consolidated group during the year ended 30 June 2008 includes the following directors and executives:

Directors:

- Mr C Morgan (Non-Executive Chairman)
- Mr J Trimble (Managing Director)
- Mr A Boss (Non-Executive Director)
- Mr S Keenihan (Non-Executive Director)

In addition to the KMP's disclosed above the following persons must be disclosed under the Corporations Act 2001as they are amongst the highest paid executives of the group.

Executives:

- Mr K MacIvor
- Mr P Bacon
- Ms J Ribbeck (resigned 30 May 2008)
- Mr J Lepin

Remuneration packages contain the following key elements:

a) Primary benefits – salary / fees and bonuses;
b) Post-employment benefits – including superannuation;
c) Equity – share options granted under the Employee Share Option Plan as disclosed in Note 26 to the financial statements; and
d) Other benefits.

(i) Key Management Personnel of Grand Gulf Energy Limited Group

The following tables disclose the remuneration of the directors of the Company during the financial year from Grand Gulf Energy Limited and controlled entities within the consolidated entity:

2008

	Short term benefits		Post-employment	Other benefits	Equity	Total
	Salary and fees	Bonus	Super-annuation		Options	
	$	$	$	$	$	$
Directors						
Mr C Morgan	84,000	-	-	-	-	84,000
Mr J Trimble	306,025	-	-	-	157,016	463,041
Mr S Keenihan	67,260	-	-	-	8,057	75,317
Mr A Boss	42,314	-	-	-	8,057	50,371
Mr A Grist (resigned 8 August 2007)	-	-	-	-	-	-
Total Directors	499,599	-	-	-	173,130	672,729
Executives						
Mr K MacIvor	129,638	-	-	-	26,380	156,018
Mr P Bacon	92,187	-	-	-	26,380	118,567
Ms J Ribbeck (resigned 5 May 2008)	86,425	-	-	-	25,284	111,709
Mr J Lepin (Commenced 5 May 2008)	16,082	-	-	-	-	16,082
Total Executives	324,332	-	-	-	78,044	402,376
Total Remuneration	823,931	-	-	-	251,174	1,075,105

(j) Key Management Personnel of Grand Gulf Energy Limited Group (continued)

The following tables disclose the remuneration of the directors of the Company during the financial year from Grand Gulf Energy Limited and controlled entities within the consolidated entity:

2007

	Short term benefits		**Post-employment**	**Other benefits**	**Equity**	**Total**
	Salary and fees	**Bonus**	**Super-annuation**		**Options**	
	$	**$**	**$**	**$**	**$**	**$**
Directors						
Mr C Morgan	74,465	-	-	-	-	74,465
Mr J Trimble	246,675	-	-	-	39,315	285,990
Mr S Keenihan	68,188	-	-	-	4,073	72,261
Mr A Boss	29,281	-	-	-	4,073	33,354
Mr A Grist	61,250	-	-	-	-	61,250
Mr G Channon (resigned 29 September 2006)	79,528	-	7,158	-	-	86,686
Mr A Dimsey (resigned 13 November 2006)	71,461	-	6,431	1,231	22,539	101,662
Total	630,848	-	13,589	1,231	70,000	715,668
Executives						
Mr K MacIvor	123,174	-	-	-	-	123,174
Mr P Bacon	105,104	-	-	-	-	105,104
Ms J Ribbeck	98,535	-	-	-	-	98,535
Total Executives	326,813	-	-	-	-	326,813
Total Remuneration	957,661	-	13,589	1,231	70,000	1,042,481

(ii) Key Management Personnel of Grand Gulf Energy Limited

The following tables disclose the remuneration of the directors of the Company during the financial year:

2008

	Short term benefits		Post-employment	Other benefits	Equity	Total
	Salary and fees	Bonus	Super-annuation		Options	
	$	$	$	$	$	$
Directors						
Mr C Morgan	84,000	-	-	-	-	84,000
Mr J Trimble	306,025	-	-	-	157,016	463,041
Mr S Keenihan	67,260	-	-	-	8,057	75,317
Mr A Boss	42,314	-	-	-	8,057	50,371
Mr A Grist (resigned 8 August 2007)	-	-	-	-	-	-
Total	499,599	-	-	-	173,130	672,729

2007

	Short term benefits		Post-employment	Other benefits	Equity	Total
	Salary and fees	Bonus	Super-annuation		Options	
	$	$	$	$	$	$
Directors						
Mr C Morgan	74,465	-	-	-	-	74,465
Mr J Trimble	246,675	-	-	-	39,315	285,990
Mr S Keenihan	68,188	-	-	-	4,073	72,261
Mr A Boss	29,281	-	-	-	4,073	33,354
Mr A Grist	61,250	-	-	-	-	61,250
Mr G Channon (resigned 29 September 2006)	79,528	-	7,158	-	-	86,686
Mr A Dimsey (resigned 13 November 2006)	71,461	-	6,431	1,231	22,539	101,662
Total	630,848	-	13,589	1,231	70,000	715,668

D. Share based compensation (audited)

Options

Options granted under the Grand Gulf Energy Limited Employee Share Option Plan to senior level executives of the Company for no consideration.

Options granted under the plan carry no dividend or voting rights and have varied contractual lives.

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Date exercisable
Options issued by Alto Energy Limited				
22 March 2005	30 June 2007	$0.25	$0.0211	22 March 2005
22 March 2005	31 October 2008	$0.25	$0.0298	22 March 2005
22 March 2005	30 November 2008	$0.30	$0.0264	22 March 2006
22 March 2005	31 December 2008	$0.35	$0.0237	22 March 2007

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Date exercisable
Options issued by Grand Gulf Energy Limited (formerly Alto Energy International Limited), on a post-reconstruction basis				
29 November 2005	31 December 2008	$0.32	$0.0589	29 November 2005
29 November 2005	31 December 2008	$0.40	$0.0513	1 July 2006
29 November 2005	31 December 2008	$0.40	$0.0638	1 July 2007
11 May 2006	31 December 2008	$0.25	$0.0103	1 July 2006
11 May 2006	31 December 2008	$0.30	$0.0095	1 January 2007
27 December 2006	27 December 2009	$0.08	$0.0288	27 December 2006
27 December 2006	31 December 2010	$0.08	$0.0335	27 December 2006
27 December 2006	31 December 2010	$0.10	$0.0310	27 December 2006
24 January 2007	30 September 2009	$0.06	$0.0421	24 January 2007
31 July 2007	31 December 2010	$0.08	$0.0330	1 July 2007
31 July 2007	31 December 2010	$0.10	$0.0301	1 July 2008
31 July 2007	31 December 2010	$0.12	$0.0276	1 July 2009

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of the options is based on the weighted average price at which the company's shares are traded on the Australian Stock Exchange during the week up to and including the date of grant.

All options expire on the earlier of their expiry date or termination of the employee's employment. In addition, the options vest over a period of 2 years.

D. Share based compensation (audited)

Options (continued)

Name	Number of options granted during the year		Number of options vested during the year	
	2008	2007	**2008**	2007
Directors of Grand Gulf Energy Limited				
Mr J Trimble	-	6,500,000	-	6,500,000
Mr C Morgan	-	-	-	-
Mr S Keenihan	-	1,000,000	-	1,000,000
Mr A Boss	-	1,000,000	-	1,000,000
Mr A Grist	-	-	-	-
Mr G Channon	-	-	-	-
Mr A Dimsey	-	500,000	-	500,000
Executives of the consolidated group				
Mr K MacIvor	1,000,000	-	400,000	-
Mr P Bacon	1,000,000	-	400,000	-
Ms J Ribbeck	1,000,000	-	400,000	-

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, (and the amount included in the remuneration tables above). Fair values at grant date are independently determined using a Black-scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2007 included:
(a) options are granted for no consideration and vest based on grant date;
(b) exercise price: 6.0 cents to 10.0 cents;
(c) grant date: 27 Dec 2006 to 27 June 2007;
(d) expiry date: 30 Sep 2009 to 31 Dec 2010;
(e) share price at grant date: 5.8c to 7.2c;
(f) expected price volatility of the company's shares: 87.69%;
(g) expected dividend yield:nil; and
(h) risk free interest rate: 5.98% to 6.08%.

The model inputs for options granted during the year ended 30 June 2008 included:
(i) options are granted for no consideration and vest based on grant date;
(j) exercise price: 8.0 cents to 12.0 cents;
(k) grant date: 31 July 2007;
(l) expiry date: 31 Dec 2010;
(m) share price at grant date: 6 cents;
(n) expected price volatility of the company's shares: 85%;
(o) expected dividend yield: nil; and
(p) risk free interest rate: 6.35%.

E. Additional Information

For each grant of options included in the table on page 54 the percentage of the available grant that vested in the financial year, and the percentage that was forfeited because the person did not meet the service criteria is set out below. No options will vest if the vesting conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Options					
Name	**Year Granted**	**Vested %**	**Forfeited %**	**Financial years in which options may vest**	**Minimum total value of grant yet to vest $**	**Maximum total value of grant yet to vest $**
A Dimsey	2007 2005	100 100	- -	- -	- -	- -
J Trimble	2008 2006	100 100	- -	- -	- -	- -
S Keenihan	2007	100	-	-	-	-
A Boss	2007	100	-	-	-	-
J Ribbeck	2008	40	60	-	-	-
P Bacon	2008	40	-	30/06/2009 30/06/2010	nil nil	9,022 8,290
K MacIvor	2008	40	-	30/06/2009 30/06/2010	nil nil	9,022 8,290

Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options granted Value at grant date $	Options exercised Value at exercise date $	Options lapsed Value at time of lapse $	Total value of options granted, exercised and lapsed $	Value of options included in remuneration for the year $	Remuneration consisting of options during the year %
Directors						
Mr C Morgan	-	-	-	-	-	-
Mr J Trimble	-	(210,500)	-	(210,500)	157,016	33.9
Mr S Keenihan	-	-	-	-	8,057	10.7
Mr A Boss	-	-	-	-	8,057	16.0
Total Directors	-	(210,500)	-	(210,500)	173,130	
Executives						
Mr K MacIvor	30,525	-	-	30,525	26,380	16.9
Mr P Bacon	30,525	-	-	30,525	26,380	22.2
Ms J Ribbeck	30,526	-	(5,242)	25,284	25,284	22.6
Total Executives	91,576	-	(5,242)	86,334	78,044	
TOTAL	91,576	(210,500)	(5,242)	(124,166)	251,174	

E. Additional Information (continued)

Value of options issued to directors and executives (continued)

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted have been included in note 26 of the financial statements.

5,000,000 shares in the Company have been provided as a result of the exercise of remuneration options by key management personnel.

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

In considering the Company's performance and its effect on shareholder wealth, the Board have regard to a broad range of factors, some of which are financial and others of which relate to the progress on the Company's projects, results and progress of exploration and development activities, joint venture agreements etc. The Board also gives consideration to the Company's result and cash consumption for the year. It does not utilise earnings per share as a performance measure or contemplate payment of any dividends in the short to medium term given that all efforts are currently being expended to build the business and establish self-sustaining revenue streams.

Shares issued on the exercise of options

The following ordinary shares of Grand Gulf Energy Limited were issued during the year ended 30 June 2008 on the exercise of options granted under the Grand Gulf Energy Limited Employee Option Plan. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares	Number of shares issued
24 January 2007	$0.06	5,000,000

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial period, the Company maintained an insurance policy which indemnifies the Directors and Officers of Grand Gulf Energy Limited in respect of any liability incurred in connection with the performance of their duties as Directors or Officers of the Company. The Directors made a personal contribution toward the premium to satisfy Section 199B of the Corporations Act 2001. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 6 board meetings, 2 audit committee meetings and no remuneration committee meetings were held.

Grand Gulf Energy Limited

	Board of directors		Audit committee		Remuneration committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Mr J Trimble	6	6	2	2	-	-
Mr C Morgan	6	6	2	2	-	-
Mr A Boss	6	6	-	-	-	-
Mr S Keenihan	6	6	-	-	-	-

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, BDO Kendalls Audit & Assurance (WA) Pty Ltd or associated entities.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company holds various licences to regulate its exploration and mining activities in the United States. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its activities.

So far as the Directors are aware, all exploration and mining activities have been undertaken in compliance with all relevant environmental regulations.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on the following page.

Dated at Perth, 25 September 2008, and signed in accordance with a resolution of the Directors.

Mr Charles Morgan
Chairman

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
128 Hay St
Subiaco WA 6008
PO Box 700 West Perth WA 6872
Phone 61 8 9380 8400
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aa.perth@bdo.com.au
www.bdo.com.au

ABN 79 112 284 787

25th September 2008

The Directors
Grand Gulf Energy Limited
Suite 8, 7 The Esplanade
Mt Pleasant, 6153
Western Australia

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF GRAND GULF ENERGY LIMITED

As lead auditor of Grand Gulf Energy Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Grand Gulf Energy Limited and the entities it controlled during the period.

Yours faithfully

Peter Toll

Peter Toll
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		$	$	$	$
Revenue from continuing operations	2	1,115,640	242,698	42,899	75,038
Other income	3	90,850	1,317,001	-	-
Corporate office expenses		(173,953)	(210,090)	(11,879)	(138,423)
Employee benefits expense		(940,636)	(891,527)	(480,456)	(524,929)
Amortisation of oil and gas capitalised expenditure	10	(570,146)	(1,038,683)	-	-
Impairment of capitalised oil and gas expenditure		-	(1,375,433)	-	-
Professional and statutory fees		(462,584)	(546,686)	(230,165)	(234,915)
Provision for diminution of investments	8	-	-	-	(218,413)
Provision for loss on inter-company loans		-	-	(182,780)	(359,723)
Other expenses		(459,251)	(356,372)	(280,866)	(107,802)
Loss before income tax		(1,400,080)	(2,859,092)	(1,143,247)	(1,509,167)
Income tax (expense)/ benefit	4	(11,921)	-	-	-
Loss from continuing operations		(1,412,001)	(2,859,092)	(1,143,247)	(1,509,167)
Loss attributable to members of the Company	16	(1,412,001)	(2,859,092)	(1,143,247)	(1,509,167)
Loss per share					
Basic (cents)	21	(0.5)	(2.0)		
Diluted (cents)	21	(0.5)	(2.0)		
Loss per share from continuing operations					
Basic (cents)	21	(0.5)	(2.0)		
Diluted (cents)	21	(0.5)	(2.0)		

The above income statements should be read in conjunction with the accompanying notes to the financial statements.

BALANCE SHEETS AS AT 30 JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	17(a)	2,412,488	5,706,863	13,949	2,241,592
Trade and other receivables	6	328,026	92,222	17,673	74,258
Other assets	7	170,273	278,293	157,891	225,957
Total Current Assets		2,910,787	6,077,378	189,513	2,541,807
Non-Current Assets					
Trade and other receivables	6	-	-	11,480,818	9,166,800
Other financial assets	8	-	-	4,097,271	4,097,271
Property, plant and equipment	9	4,808	16,548	2,414	11,442
Exploration expenditure	10	10,455,920	6,439,211	-	-
Total Non-Current Assets		10,460,728	6,455,759	15,580,503	13,275,513
Total Assets		13,371,515	12,533,137	15,770,016	15,817,320
LIABILITIES					
Current Liabilities					
Trade and other payables	11	1,564,237	339,270	1,217,965	1,352,754
Total Current Liabilities		1,564,237	339,270	1,217,965	1,352,754
Non-Current Liabilities					
Deferred tax liabilities	4	-	-	-	-
Provisions	12	41,777	52,647	-	-
Borrowings	13	670,000	-	-	-
Total Non-Current Liabilities		711,777	52,647	-	-
Total Liabilities		2,276,014	391,917	1,217,965	1,352,754
Net Assets		11,095,501	12,141,220	14,552,051	14,464,566
EQUITY					
Contributed equity	14	25,264,897	24,966,947	27,370,248	27,072,298
Reserves	15	398,653	330,321	3,257,777	2,324,995
Accumulated losses	16	(14,568,049)	(13,156,048)	(16,075,974)	(14,932,727)
Total Equity		11,095,501	12,141,220	14,552,051	14,464,566

The above balance sheets should be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY AS AT 30 JUNE 2008

	Consolidated					
	Issued capital	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	$	$	$	$	$	$
Balance at 1 July 2006	15,993,205	58,411	259,763	-	(10,296,956)	6,014,423
Loss attributable to members of the parent entity	-	-	-	-	(2,859,092)	(2,859,092)
Foreign currency translation adjustment	-	(261,303)	-	-	-	(261,303)
Total recognised income and expense	-	(261,303)	-	-	(2,859,092)	(3,120,395)
Shares issued, net of issue costs	8,973,742	-	-	-	-	8,973,742
Share options issued	-	-	273,450	-	-	273,450
Balance at 30 June 2007	24,966,947	(202,892)	533,213	-	(13,156,048)	12,141,220
Balance at 1 July 2007	24,966,947	(202,892)	533,213	-	(13,156,048)	12,141,220
Loss attributable to members of the parent entity	-	-	-	-	(1,412,001)	(1,412,001)
Foreign currency translation adjustment	-	(864,450)	-	-	-	(864,450)
Total recognised income and expense	-	(864,450)	-	-	(1,412,001)	(2,276,451)
Shares issued, net of issue costs	297,950	-	-	-	-	297,950
Share options issued	-	-	255,982	676,800	-	932,782
Balance at 30 June 2008	25,264,897	(1,067,342)	789,195	676,800	(14,568,049)	11,095,501

The above statements of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF CHANGES IN EQUITY AS AT 30 JUNE 2008

	Company					
	Issued capital	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	$	$	$	$	$	$
Balance at 1 July 2006	18,098,557	-	2,051,545	-	(13,423,562)	6,726,540
Loss attributable to members of the parent entity	-	-	-	-	(1,509,165)	(1,509,165)
Total recognised income and expense	-	-	-	-	(1,509,165)	(1,509,165)
Shares issued, net of issue costs	8,973,741	-	-	-	-	8,973,741
Share options issued	-	-	273,450	-	-	273,450
Balance at 30 June 2007	27,072,298	-	2,324,995	-	(14,932,727)	14,464,566
Balance at 1 July 2007	27,072,298	-	2,324,995	-	(14,932,727)	14,464,566
Loss attributable to members of the parent entity	-	-	-	-	(1,143,247)	(1,143,247)
Total recognised income and expense	-	-	-	-	(1,143,247)	(1,143,247)
Shares issued, net of issue costs	297,950	-	-	-	-	297,950
Share options issued	-	-	255,982	676,800	-	932,782
Balance at 30 June 2008	27,370,248		2,580,977	676,800	(16,018,207)	14,552,051

The above statements of changes in equity should be read in conjunction with the accompanying notes to the financial statements.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Consolidated		Company	
		2008	2007	2008	2007
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		735,909	126,572	-	-
Payments to suppliers and employees		(1,907,680)	(1,811,838)	(849,762)	(800,341)
Payments for exploration and evaluation		(6,013,829)	(5,056,682)	-	-
Interest received		71,133	116,101	42,899	75,038
Interest paid		(42,118)	-	-	-
Net cash outflow from operating activities	17(b)	(7,156,585)	(6,625,847)	(806,863)	(725,303)
Cash flows from investing activities					
Loans to controlled entity		-	-	(2,396,530)	(7,007,979)
Proceeds on sale of exploration assets		2,693,288	2,309,446	1,000	3,500
Net cash (outflow) / inflow from investing activities		2,693,288	2,309,446	(2,395,530)	(7,004,479)
Cash flows from financing activities					
Proceeds from loans		670,000	-	-	-
Proceeds from issue of ordinary shares and other equity securities		1,047,063	7,919,286	1,047,063	7,919,286
Capital raising costs		(72,313)	(205,544)	(72,313)	(205,544)
Net cash (outflow) / inflow from financing activities		1,644,750	7,713,742	974,750	7,713,742
Net increase / (decrease) in cash and cash equivalents		(2,818,547)	3,397,341	(2,227,643)	(16,040)
Cash and cash equivalents at the beginning of the financial year		5,706,863	2,422,258	2,241,592	2,257,632
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		(475,828)	(112,736)	-	-
Cash and cash equivalents at the end of the financial year	17(a)	2,412,488	5,706,863	13,949	2,241,592

The above cash flow statements should be read in conjunction with the accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Grand Gulf Energy Limited comply with International Financial Reporting Standards (IFRS).

Historical Cost Convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates and judgements
The preparation of financial statements in conformity with A-IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(v).

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of Grand Gulf Energy Limited and its subsidiaries at 30 June 2008. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Subsidiaries are consolidated from the date on which control is transferred to the group and cease to be consolidated from the date on which control is transferred out of the group.

In preparing the consolidated financial statements, all inter-company transactions and balances have been eliminated in full.

1. Summary of Significant Accounting Policies (contd)

(b) Principles of consolidation (contd)

Reverse Acquisition

In accordance with AASB 3 "Business Combinations", when Grand Gulf Energy Limited (the legal parent) acquired the Alto Energy Limited group (being Alto Energy Limited and its controlled entity, Alto Energy Inc) (the legal subsidiary) in January 2006, the acquisition was deemed to be a reverse acquisition since the substance of the transaction is that the existing shareholders of Alto Energy Limited have effectively acquired Grand Gulf Energy Limited. Under reverse acquisition accounting, the consolidated financial statements are prepared as if Alto Energy Limited had acquired Grand Gulf Energy Limited and its controlled entities, not vice versa as represented by the legal position.

- In reverse acquisition accounting, the cost of the business is deemed to have been incurred by the legal subsidiary (the acquirer for accounting purposes) in the form of equity instruments issued to the owners of the legal parent (the acquiree for accounting purposes). However, due to the fact that the fair value of the equity instruments of the legal subsidiary (Alto Energy Limited) was not clearly evident at the date at which the control was passed, the alternative method was elected (per AASB 3, para B6), where the cost of the business combination was determined as the total fair value of all the issued equity instruments of the legal parent (Grand Gulf Energy Limited) immediately prior to the business combination.

- In the separate financial statements of the legal parent (Grand Gulf Energy Limited), the investment in legal subsidiary (Alto Energy Limited) was accounted for at cost.

As a consequence:

- an exercise is performed to fair value the assets and liabilities of the legal acquirer, Grand Gulf Energy Limited;

- the cost of investment held by the legal parent (Grand Gulf Energy Limited) in the legal subsidiary (Alto Energy Limited) is reversed on consolidation and the cost of reverse acquisition is eliminated on consolidation against the consolidated equity and reserves of Grand Gulf Energy Limited and its consolidated entities at the date when control is passed. The effect of this is to restate the consolidated equity and reserves balances to reflect those of Alto Energy Limited at the date of acquisition;

- the amount recognised as issued equity instruments are determined by adding to the issued equity of the legal subsidiary immediately before the business combination, the cost of the combination; and

- the consolidated financial statements are issued under the name of the legal parent (Grand Gulf Energy Limited) but are a continuation of the financial statements of the deemed acquirer (Alto Energy Limited) under the reverse acquisition rules. Hence the comparative figures on the consolidated financial statements are that of Alto Energy Limited and its controlled subsidiary for the year ended 30 June 2006.

1. Summary of Significant Accounting Policies (contd)

(c) Foreign currency translation

Functional and Presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Grand Gulf Energy Limited's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(d) Cash and cash equivalents

For cash flow statement preparation purposes, cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

1. Summary of Significant Accounting Policies (contd)

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

(f) Investments and other financial assets

Non-current investments in subsidiaries are carried at their cost of acquisition in the Company's balance sheet. A provision against investment is made where the Company has assessed the investment as impaired.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment
Plant and equipment is measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity, all other decreases are charged to the income statement.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

1. Summary of Significant Accounting Policies (contd)

(h) Property, plant and equipment (contd)

Depreciation
The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The following estimated useful lives are used in the calculation of depreciation:

Plant and equipment 3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(i) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(j) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(k) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1. Summary of Significant Accounting Policies (contd)

(l) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

Oil and gas revenue
Income is recorded when risks and rewards have passed to the buyer and the amount receivable can be measured reliably.

Interest income
Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Taxes

Income tax
The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

1. Summary of Significant Accounting Policies (contd)

(n) Taxes (contd)

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST recoverable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(o) Employee benefits

Wages and salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables and provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Superannuation
The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are charged against income as they are made.

Share-based payments
The fair value of options granted by the entity to employees is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised in each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(p) Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted EPS adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

1. Summary of Significant Accounting Policies (contd)

(q) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(r) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired.

Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange, unless in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being at the rate which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(s) Interest in joint ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations and assets are included in the appropriate items of the consolidated balance sheet and profit or loss.

The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

1. Summary of Significant Accounting Policies (contd)

(t) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in full against income in the financial period in which the decision is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(u) Provision for restoration

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligations arises. The nature of the restoration activities includes the removal of infrastructure, abandonment of wells and restoration of affected areas.

(v) Critical accounting estimates, assumptions and judgements

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Group employs judgment in the application of its accounting policies.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

1. Summary of Significant Accounting Policies (contd)

(i) Critical accounting estimates and assumptions (contd)

Impairment of assets
In determining the recoverable amounts of assets, in the absence of quoted market prices, estimations are made using estimated sale value. For oil and gas properties, the Company is not at a stage to determine reserves or the present value of future cash flows. The carrying value of oil and gas properties is reviewed annually for impairment by the board of directors.

Amortisation of oil and gas properties
When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable resources.

Restoration obligations
The Group estimates the present value of the costs of legal and constructive obligations to restore operating locations in the period in which the obligations arises. For more detail on the Company's policy in respect of provision for restoration, refer to Note 1(u).

Shared-based payment transactions
The Group measures the cost of equity settled share based payments at fair value at the grant date using the Black-Scholes model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The total expenses in share based transactions for the consolidated entity for the year ended 30 June 2008 was $255,982 (2007: $70,000).

(ii) Critical Judgments in Applying the Group's Accounting Policies

Exploration and evaluation
The Group's accounting policy for exploration and evaluation is set out in Note 1(t). If, after having capitalised expenditure under this policy, the directors conclude that the consolidated entity is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount will be written off to the Income Statement.

(w) Comparative information

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(x) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

1. Summary of Significant Accounting Policies (contd)

(x) Borrowings (continued)

Borrowings are classified as current liabilities unless the group as an unconditional right to defer settlement of the liability for at least 12 months after reporting date.

(y) Borrowing costs

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as current assets and amortised on a straight-line basis over the term of the facility.

(z) New Accounting Standards and interpretations.

Early adoption of standards

The following standards, amendments to standards and interpretations have been identified as those which may impact the consolidated entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB Int. 12 and AASB 2007-2 above.	1 July 2008
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements, although it may indirectly impact the level at which goodwill is tested for impairment. In addition, the amendments may have an impact on the Group's segment disclosures.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 July 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	These amendments are only expected to affect the presentation of the Group’s financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-7	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1 July 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-5 AASB 2008-6	Amendment to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009 except for amendments to AASB 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1 July 2009
AASB Interpretation 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 January 2009	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1 July 2009

2. Revenue from ordinary activities

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Revenues from ordinary activities				
Interest	71,132	116,101	42,899	75,038
Sale of oil and gas	1,044,508	126,597	-	-
Total revenues from ordinary activities	1,115,640	242,698	42,899	75,038

3. Loss from operations

(a) Other income

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Net gain on sale of non-current assets	90,850	1,317,001	-	-
	90,850	1,317,001	-	-

(b) Expenses

Loss before income tax includes the following specific expenses:

	Consolidated 2008 $	Consolidated 2007 $	Company 2008 $	Company 2007 $
Depreciation				
Plant and equipment	3,914	9,648	1,202	5,070
Total depreciation	3,914	9,648	1,202	5,070
Net loss on disposal of property, plant and equipment	-	10,008	6,825	4,798
Rental expense relating to operating leases				
Minimum lease payments	73,938	83,721	-	60,274
Total rental expense relating to operating leases	73,938	83,721		60,274
Defined contribution superannuation expense	-	14,221	-	14,221
Foreign exchange gains and losses				
Net foreign exchange losses	(46,917)	-	-	-
Finance Costs				
Borrowing expense	72,283	-	72,283	-
Interest expense	42,118	-	-	-
	114,401	-	72,283	-

4. Income tax

(a) Income tax expense

Current tax	11,921	-	-	-
Deferred tax	-	-	-	-
Under (over) provided in prior years	-	-	-	-
	11,921	-	-	-

(b) Reconciliation of income tax benefit to prima facie tax payable

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Loss from ordinary activities before income tax expense	(1,400,080)	(2,859,092)	(1,143,247)	(1,509,167)
Prima facie tax benefit on loss from ordinary activities at 30% (2007: 30%)	(420,024)	(857,728)	(342,974)	(452,750)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share based payments	76,795	21,000	76,795	21,000
Other	14,752	-	-	-
Impairment expense	-	311,604	-	-
Intercompany loss provisions	-	-	54,834	173,440
	(328,477)	(525,124)	(211,345)	(258,310)
Movements in deferred taxes in relation to temporary differences	(804,652)	(1,860,172)	(39,236)	143,298
Difference in overseas tax rates	87,859	(231,039)	-	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,057,191	2,616,335	250,581	115,012
Income tax expense / (benefit)	11,921	-	-	-

4. Income tax (continued)

(c) Unrecognised temporary differences

Deferred tax assets				
Tax losses at 30%	1,021,882	305,024	1,003,017	1,182,547
Temporary differences at 30%	56,768	156,634	56,768	143,298
Tax losses – foreign subsidiaries (34%)	2,123,775	1,963,837	-	-
Temporary differences at 34%	3,304	-		
Deferred tax liabilities				
Temporary differences at 30%	(3,998)	(2,016,806)	(3,998)	(90,065)
Temporary differences at 34%	(1,492,756)	-	-	-
Net deferred tax asset not recognised	1,708,975	408,689	1,005,787	1,235,780

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

(d) Deferred tax liabilities

The balance comprises temporary differences attributable to:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Amounts recognised in loss:				
Capitalised oil and gas asset on acquisition of subsidiary written off	-	-	-	-
	-	-	-	-
	-	-	-	-
Movements:				
Opening balance at 1 July	-	563,054	-	-
Credited / (charged) to loss	-	(563,054)	-	-
Acquisition of subsidiary	-	-	-	-
Closing balance at 30 June	-	-	-	-

5. Dividends paid or provided for on ordinary shares

No dividend has been declared or paid during the current financial year or the prior financial year. The consolidated entity does not have any franking credits available for current or future years as the consolidated entity is not in a tax paying position.

6. Trade and other receivables

Current				
Other debtors (i)	43,893	87,040	17,673	74,258
Accrued income	284,133	5,182	-	-
	328,026	92,222	17,673	74,258
Non Current				
Amounts receivable from controlled entities(ii)	-	-	12,265,794	9,768,996
Provision for doubtful debts (iii)	-	-	(784,976)	(602,196)
	-	-	11,480,818	9,166,800

(i) Other debtors include amounts outstanding for goods & services tax (GST) These amounts are non-interest bearing and have repayment terms applicable under the relevant government authorities.

(ii) Amounts receivable from controlled entities are unsecured, non-interest bearing and are repayable on demand. The directors do not intend to request repayments within the next 12 months.

(iii) A provision for doubtful debts was recognised on the amount receivable from a related entity, Grand Gulf Energy Inc, based on its net asset position at 30 June 2008.

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2008	**2007**
At 1 July	602,196	242,473
Provision for impairment recognised for the year	182,780	359,723
	784,976	602,196

At the date of this report, there are no receivables considered past due. A provision for impairment of amounts owing from wholly owned subsidiaries is raised based on the net assets of the wholly owned subsidiary.

7. Other assets

	Consolidated		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Current				
Prepayments/deposits	25,707	61,443	13,325	9,107
Borrowing costs	144,566	216,850	144,566	216,850
	170,273	278,293	157,891	225,957

8. Other financial assets

Non-current

Shares in controlled entities (i)	-	-	15,744,846	15,744,846
Less Provision for diminution	-	-	(11,647,575)	(11,647,575)
	-	-	4,097,271	4,097,271

(i) These financial assets are carried at cost.

(a) Investments in controlled entities

The consolidated entity financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Investments in controlled entities held by Grand Gulf Energy Limited

	Country of incorporation	2008	2007	2008	2007
		%	%	$	$
Golden Fleece Petroleum Inc	USA	100	100	-	-
Alto Energy Limited	Australia	100	100	4,097,271	4,097,271
				4,097,271	4,097,271

Investments in controlled entities held by Alto Energy Limited

	Country of incorporation	2008	2007	2008	2007
		%	%	$	$
Grand Gulf Energy Inc	USA	100	100	764,907	764,907
				764,907	764,907

9. Property, plant and equipment

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Plant and equipment				
At cost	14,244	24,784	4,298	14,837
Accumulated amortisation	(9,436)	(8,236)	(1,884)	(3,395)
	4,808	16,548	2,414	11,442

(a) Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Plant and equipment				
Carrying amount at beginning of year	16,548	42,859	11,442	24,810
Additions	-	-	-	-
Disposals	(7,826)	(16,663)	(7,826)	(8,298)
Depreciation	(3,914)	(9,648)	(1,202)	(5,070)
Carrying amount at end of year	4,808	16,548	2,414	11,442

10. Exploration expenditure

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Capitalised oil and gas expenditure	11,756,405	6,596,512	-	-
Provision for impairment	(1,300,485)	(157,301)	-	-
	10,455,920	6,439,211	-	-
Capitalised oil and gas expenditure				
Carrying amount at beginning of year	6,439,211	4,400,000	-	-
Expenditure during the year	7,063,897	6,663,841	-	-
Disposals	(2,477,040)	(1,783,195)	-	-
Amortisation	(570,146)	(1,038,683)		
Write off of capitalised expenditure	-	(1,802,753)	-	-
Carrying amount at end of year	10,455,920	6,439,211	-	-

The ultimate recoupment of costs carried forward for capitalised expenditure is dependent on the successful development and commercial exploitation of lease acreage. In accordance with Note 1(t), amortisation will be calculated over the life of the area according to the rate of depletion of economically recoverable reserves, at the time when production commences.

11. Trade and other payables

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Current				
Trade creditors (i)	47,946	189,169	39,446	187,432
Other creditors (i)	1,516,291	150,101	3,777	90,850
Amounts payable to controlled entities	-	-	1,174,742	1,074,472
	1,564,237	339,270	1,217,965	1,352,754

(i) Trade and other creditor amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(ii) Risk exposure
Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 25.

12. Provisions

Non-Current				
Provision for future restoration	41,777	52,647	-	-

(a) Reconciliations

Provision for future restoration				
Carrying amount at beginning of year	52,647	72,593	-	-
Additional provisions recognised/recalculated	(10,870)	18,037	-	-
Write-back of provision on disposal	-	(37,983)	-	
Carrying amount at end of year	41,777	52,647	-	-

13. Borrowings

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Secured				
Working capital loan	670,000	-	-	-

The working capital loan is secured by first mortgage over the groups assets.

Information about the Group's and parent entity's exposure to interest rate risk and foreign currency changes is provided in Note 25.

14. Contributed equity

(a) Issued capital

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Ordinary shares, fully paid	25,264,897	24,966,947	27,370,248	27,072,298

(b) Movements in share capital (continued)

Company				
Balance at beginning of year	297,856,627	114,270,901	27,072,298	18,098,556
Changes during the year				
Share placement at 5 cents per share	-	10,000,000	-	500,000
Share placement at 5 cents per share	-	40,000,000	-	2,000,000
Share placement at 5 cents per share	-	21,000,000	-	1,050,000
Tranche 1 placement at 5 cents per share	-	25,000,000	-	1,250,000
Entitlement Issue at 5 cents per share	-	46,317,726	-	2,315,886
Tranche 2 placement at 5 cents per share	-	41,000,000	-	2,050,000
Share placement at 5 cents per share to financiers in lieu of fees	-	268,000	-	13,400
Options exercised at 6 cents per share	5,000,000	-	300,000	-
Share issue costs	-	-	(2,050)	(205,544)
Balance at end of year	302,856,627	297,856,627	27,370,248	27,072,298

14. Contributed equity (continued)

(c) Share options

	Exer-cise price	Expiry date	Balance at beginning of year Number #	Issued during the year Number #	Exercised during the year Number #	Cancelled during the year Number #	Balance at end of year Number #
Listed options ^	$0.06	25/02/09	-	74,464,156	-	-	74,464,156
Unlisted options	$0.08	31/12/08	6,500,000	-	-	-	6,500,000
Unlisted options	$0.20	31/12/08	1,875,000	-	-	-	1,875,000
Unlisted options	$0.20	31/1/08	17,455,643	-	-	(17,455,643)	-
Unlisted options	$0.20	31/10/08	1,706,250	-	-	-	1,706,250
Unlisted options	$0.24	30/11/08	1,771,875	-	-	-	1,771,875
Unlisted options	$0.28	31/12/08	1,771,875	-	-	-	1,771,875
Unlisted options *	$0.25	31/12/08	750,000	-	-	-	750,000
Unlisted options *	$0.30	31/12/08	750,000	-	-	-	750,000
Unlisted options *	$0.60	30/09/09	5,000,000	-	(5,000,000)	-	-
Unlisted options *	$0.08	31/12/10	1,000,000	-	-	-	1,000,000
Unlisted options *	$0.10	31/12/10	1,000,000	-	-	-	1,000,000
Unlisted options *	$0.08	27/12/09	500,000	-	-	-	500,000
Unlisted options #	$0.075	03/01/10	1,625,000	-	-	-	1,625,000
Unlisted options #	$0.075	27/06/10	4,875,000	-	-	-	4,875,000
Unlisted options *	$0.08	31/12/10	-	1,200,000	-	(400,000)	800,000
Unlisted options *	$0.10	31/12/10	-	900,000	-	(300,000)	600,000
Unlisted options *	$0.12	31/12/10	-	900,000	-	(300,000)	600,000
			46,580,643	77,464,156	(5,000,000)	(18,455,643	100,589,156

* Options issued pursuant to the Company's Employee Share Option Plan (ESOP). Refer Note 26 for details.
\# Issued to Macquarie Bank for working capital facility.
^ Rights Issue – options issued for 1 cent per share.

Option Premium Reserve
During the period the following listed options over unissued ordinary shares were issued by the company:

Options issued/(expired)	Exercise price	Expiry date
74,464,156	$0.06	28 February 2009

As at 30 June 2008 the company has on issue 26,125,000 (30 June 2007: 46,580,643) unlisted options over unissued ordinary shares, and 74,464,156 listed options (30 June 2007: nil).

The issue price of the options was $0.01. Net proceeds received from the issue were $676,800 after deducting $67,866 of costs incurred.

Share Option Reserve
During the period an amount of $255,982 (2007: $70,000) was recognised as an expense and corresponding movement in equity in respect of the fair value of options issued as equity based compensation.

On 6 December 2007 5,000,000 options were exercised by one of the directors, Mr J Trimble. The options had previously been valued at $0.035 each amounting to total compensation value of $175,000. Upon the exercise of these options, the remaining fair value was brought to account and included in the aforementioned expense.

14. Contributed equity (continued)

(d) Terms and conditions of contributed equity

Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Risk exposure
Information about the Group's and the parent entity's exposure to capital risk is provided in note 25.

15. Reserves

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Foreign currency translation (a)	(1,067,342)	(202,892)	-	-
Share option reserve (b)	789,195	533,213	2,580,977	2,324,995
Option premium reserve (c)	676,800	-	676,800	-
	398,653	330,321	3,257,777	2,324,995

(a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

Balance at beginning of year	(202,892)	58,411	-	-
Gain / (loss) on translation of foreign controlled entities	(864,450)	(261,303)	-	-
Balance at end of year	(1,067,342)	(202,892)	-	-

(b) Share option reserve

The share option reserve is used to recognise the value of options issued to employees and Directors.

Balance at beginning of year	533,213	259,763	2,324,995	2,051,545
Increase on issue of options (i)	-	203,450	-	203,450
Share based payment expense	255,982	70,000	255,982	70,000
Balance at end of year	789,195	533,213	2,580,977	2,324,995

(i) During the 2008 financial year the parent entity issued 3,000,000 to employees.

(c) Option premium reserve

The option premium reserve is used to recognise the options issued under a rights issue at 1 cent per option.

Balance at beginning of year	-	-	-	-
Options Rights Issue	744,666	-	744,666	-
Option Issue costs	(67,866)	-	(67,866)	-
Balance at end of year	676,800	-	676,800	-

16. Accumulated losses

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Balance at beginning of year	(13,156,048)	(10,296,956)	(14,932,727)	(13,423,596)
Net loss attributable to members of the Company	(1,412,001)	(2,859,092)	(1,143,247)	(1,509,131)
Balance at end of year	(14,568,049)	(13,156,048)	(16,075,974)	(14,932,727)

17. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash on hand	2,412,488	5,706,863	13,949	2,241,592

The group's and parent entity's exposure to interest rate risk is discussed in note 25.

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of cashflows as follows:

(b) Reconciliation of loss after related income tax to net cash outflows from operating activities

Loss for the year	(1,412,001)	(2,859,092)	(1,143,247)	(1,509,131)
Depreciation	3,915	9,648	1,203	5,070
Impairment and write-offs of oil and gas assets	-	1,158,867	-	-
Amortisation	570,146	1,038,683		
Write offs of intercompany loans and investments		-	182,780	578,135
Share based payments	255,982	70,000	255,982	70,000
Loss on disposal of property, plant and equipment	6,825	10,008	6,825	4,798
Gain on sale of oil and gas properties	(90,851)	(1,317,001)	-	-
Exchange rate adjustments on balance of cash held in foreign currencies	(28,677)	-	-	-
Changes in net assets and liabilities				
(Increase) / decrease in assets:				
Trade and other receivables	(259,481)	(68,177)	56,586	(57,937)
Prepayments/borrowing costs	104,303	(273,477)	68,065	(216,983)
Capitalised expenditure	(6,064,028)	(4,719,932)	-	-
Increase / (decrease) in liabilities:				
Trade and other creditors	(237,737)	131,675	(235,057)	205,525
Provisions	(4,981)	192,951	-	195,220
Net cash outflows from operating activities	(7,156,585)	(6,625,847)	(806,863)	(725,303)

18. Expenditure commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Exploration and lease rentals commitments				
Not later than one year	2,490,439	-	-	-
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	2,490,439	-	-	-

The above commitments relate to exploration expenditure on US joint venture projects as well as lease rentals on specific acreage held in the US.

(b) Lease commitments

	Consolidated		Company	
	2008	2007	2008	2007
Operating leases (non-cancellable)				
Not later than one year	90,191	24,451	90,191	24,451
Later than one year and not later than five years	137,308	11,330	137,308	11,330
Later than five years	-	-	-	-
	277,499	35,781	277,499	35,781

The above commitments relate to the sub-lease of premises held by the consolidated entity.

(c) Remuneration commitments

	Consolidated		Company	
	2008	2007	2008	2007
Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date but not recognised as liabilities, payable:				
Not later than one year	285,685	349,766	285,685	349,766
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	285,685	349,766	285,685	349,766

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in section C of the remuneration report in the Directors report that are not recognised as liabilities and are not included in the key management personnel compensation.

19. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2008.

20. Events occurring after balance date

On 18th September, 2008 the company finalised a Working Capital Facility Agreement with Macquarie Bank Limited. The facility has a limit of US $50 million with an initial borrowing base of US $2.5 million which refinances the existing facility, in addition to providing a further US $2 million.

Macquarie bank has now been issued with 45 million options in Grand Gulf Energy Ltd to be exercised on or before 11th September 2012 at a price of $0.04.

21. Earnings per share

The following reflects the income and share data used in the calculation of basic and diluted earnings per share:

	Consolidated	
	2008	**2007**
	$	**$**
Net loss	(1,412,001)	(2,859,092)
Adjustments:	-	-
Losses used in calculating basic earnings per share	(1,412,001)	(2,859,092)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	300,610,052	143,813,736
Effect of dilutive securities		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating basic and diluted earnings per share	300,610,052	143,813,736

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this annual report.

As the consolidated entity incurred a loss for the year ended 30 June 2008 the options on issue have no dilutive effect therefore the diluted earnings per share is equal to the basic earnings per share.

22. Key management personnel disclosures

(a) Directors

The directors of the Grand Gulf Energy Limited consolidated group and Grand Gulf Energy Limited during the financial year have been disclosed in section C of the remuneration report in the Directors report.

22. Key management personnel disclosures (continued)

(b) Other key management personnel

The executives of the Grand Gulf Energy Limited consolidated group and Grand Gulf Energy Limited during the financial year have been disclosed in section C of the remuneration report in the Directors report.

(c) Key management personnel compensation

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Short-term employee benefits	823,931	958,892	823,931	958,892
Post-employment benefits	-	13,589	-	13,589
Share-based payments	251,174	70,000	251,174	70,000
	1,075,105	1,042,481	1,075,105	1,042,481

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on the exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in section D of the remuneration report in the Directors report. Details of assessed fair value of options granted can be found in note 26 (b).

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Grand Gulf Energy Limited and other key management personnel of the group, including their personally related parties, are set out below.

Options held in Grand Gulf Energy Limited

2008

Name	Balance at start of the period Number	Granted during the period Number	Exercised during the period Number	Other changes during the period Number	Balance at the end of the year Number	Remuneration options Vested and Exercisable at end of period Number	Remuneration options unvested at end of period Number
Directors							
Mr J Trimble	6,500,000	-	(5,000,000)	8,553,719	10,053,719	10,053,719	-
Mr C Morgan	9,731,250	-	-	5,869,127	15,600,377	15,600,377	-
Mr A Boss	1,000,000	-	-	1,053,719	2,053,719	1,553,719	500,000
Mr S Keenihan	1,000,000	-	-	1,366,219	2,366,219	1,866,219	500,000
Total	18,231,250	-	(5,000,000)	16,842,784	30,074,034	29,074,034	1,000,000

22. Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel (continued)

2007

Name	Balance at start of the year Number	Granted during the year as remunerat-ion Number	Exercised during the year Number	Other changes during the year Number	Balance at end of the year Number	Remuneration Options Vested and exercisable at end of period Number	Remuneration options unvested at end of period Number
Directors							
Mr J Trimble	1,500,000	5,000,000	-	-	6,500,000	6,500,000	-
Mr C Morgan	9,731,250	-	-	-	9,731,250	9,731,250	-
Mr A Boss	-	1,000,000	-	-	1,000,000	1,000,000	-
Mr G Channon #	2,535,937	-	-	-	2,535,937	2,535,937	-
Mr A Dimsey #	1,500,000	500,000	-	-	2,000,000	2,000,000	-
Mr A Grist	916,096	-	-	-	916,096	916,096	-
Mr S Keenihan	-	1,000,000	-	-	1,000,000	1,000,000	-
Total	16,183,283	7,500,000	-	-	23,683,283	23,683,283	-

\# Closing balance at date of resignation

(iii) Share Holdings
Shares held in Grand Gulf Energy Limited

2008

Name	Balance at start of the year Number	Received during the year on exercise of options Number	Other changes during the year Number	Balance at end of the year Number
Directors				
Mr J Trimble	30,179,815	5,000,000	2,185,000	37,364,815
Mr C Morgan	19,261,125	-	1,321,000	20,582,125
Mr A Boss	325,000	-	-	325,000
Mr S Keenihan	1,250,000	-	330,000	1,580,000
Total	51,015,940	5,000,000	3,836,000	59,851,940

22. Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel (continued)

2007

Name	Balance at start of the year Number	Received during the year on exercise of options Number	Other changes during the year Number	Balance at end of the year Number
Directors				
Mr J Trimble	100,000	-	30,079,815	30,179,815
Mr C Morgan	15,662,500	-	2,599,125	18,261,625
Mr A Boss	-		1,000,000	1,000,000
Mr G Channon #	296,094	-	-	296,094
Mr A Dimsey #	-	-	-	-
Mr A Grist	5,182,500	-	593,124	5,775,624
Mr S Keenihan	-	-	1,250,000	1,250,000
Total	21,241,094	-	35,522,064	56,763,158

Closing balance at date of resignation

(e) Other transactions with key management personnel

All transactions with related parties are made on normal commercial terms and conditions except where indicated.

An amount of $938 (2007: $2,342) was paid to Seaspin Pty Limited, of which Mr C Morgan is a director, for sundry office services.

During the 2008 financial year, the Group incurred costs of $79,715 (2007: $31,904) for communication services from Purple Communications, a company related to Mr C Morgan's spouse.

An amount of NIL (2007: $60,274) was paid to Albion Capital Partners, of which Mr A Grist is a partner, for sublease of BGC Centre office space (in the period subsequent to Mr Grist being appointed as a director). A further amount of NIL (2007: $19,923) was paid to Albion Capital Partners for financial analyst services (in the period subsequent to Mr Grist being appointed as a director).

Amounts owing to directors, director-related parties and other related parties at 30 June 2008 and included in trade and sundry creditors were $26,850 (2007: $55,020).

23. Auditor's remuneration

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Audit or review of the financial report	75,151	58,942	34,658	26,077
Other services	-	-	-	-
	75,151	58,942	34,658	26,077

The auditor of Grand Gulf Energy Limited is BDO Kendall Audit & Assurance (WA) Pty Ltd.

24. Segment information

Geographic segment – primary segment

The consolidated entity operates in only one geographic segment, being North America.

25. Financial instruments

FINANCIAL RISK MANAGEMENT

The Group's policies with regard to financial risk management are clearly defined and consistently applied. They are a fundamental part of the Group's long term strategy covering areas such as foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk and capital management.

The natural hedges provided by the relationship between commodity prices and the US currency reduce the necessity for using derivatives or other forms of hedging. GGE does not issue derivative financial instruments, nor does it believe that it has exposure to such trading or speculative holdings through its investments in joint ventures.

Risk management is carried out by the Board as a whole, which provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

25. Financial instruments (continued)

(a) Interest rate risk

The Group and the parent entity hold the following financial instruments:

	Notes	Consolidated						
		Floating interest rate	Fixed interest rate			Non-interest bearing	Total	Weighted average interest rate
			1 year or less	Over 1 to 5 years	More than 5 years			
		$	$	$	$	$	$	%
2008								
Financial assets								
Cash	17(a)	2,412,288	-	-	-	200	2,412,488	5.8
Trade and other receivables	6	-	-	-	-	328,026	328,026	-
		2,412,288-	-	-	-	328,226	2,740,514	
Financial liabilities								
Trade creditors and accruals	11	-	-	-	-	1,564,237	1,564,237	-
Borrowings	13	-	670,000	-	-	-	670,000	10.0
		-	670,000	-	-	1,564,237	2,234,237	
2007								
Financial assets								
Cash	17(a)	5,633,579	73,084	-	-	200	5,706,863	5.4
Trade and other receivables	6	-	-	-	-	92,222	92,222	-
		5,633,579	73,084	-	-	92,422	5,799,085	
Financial liabilities								
Trade creditors and accruals	11	-	-	-	-	339,270	339,270	-
		-	-	-	-	339,270	339,270	

25. Financial instruments (continued)

(a) Interest rate risk (continued)

	Notes	Floating interest rate	Fixed interest rate (Company)			Non-interest bearing	Total	Weighted average interest rate
			1 year or less	Over 1 to 5 years	More than 5 years			
		$	$	$	$	$	$	%
2008								
Financial assets								
Cash	17(a)	13,749	-	-	-	200	13,949	5.8
Trade and other receivables	6	-	-	-	-	11,498,491	11,498,491	-
		13,749	-	-	-	11,498,691	11,512,440	
Financial liabilities								
Trade creditors and accruals	11	-	-	-	-	1,217,965	1,217,965	-
		-	-	-	-	1,217,965	1,217,965	
2007								
Financial assets								
Cash	17(a)	2,168,308	73,084	-	-	200	2,241,592	5.4
Trade and other receivables	6	-	-	-	-	9,241,058	9,241,058	-
		2,168,308	73,084	-	-	9,241,258	11,482,650	
Financial liabilities								
Trade creditors and accruals	11	-	-	-	-	1,352,752	1,352,752	-
		-	-	-	-	1,352,752	1,352,752	

(a) Market Risk

(i) Foreign exchange risk

There is no foreign currency exposure on a group or company level.

25. Financial instruments (continued)

(ii) Price Risk

Equity Securities Price Risk

Neither the Group or the parent entity have any investments classified on the balance sheet as either available for sale or at fair value through profit or loss and are therefore considered to have no exposure to equity securities price risk.

(iii) Interest Rate Risk

Interest rate risk relates to the balance sheet values of the parent and consolidated cash at bank at June 2008 and June 2007. The working capital loan is at fixed interest rates and has fair value interest rate risk which will not affect profit or equity.

The Groups interest rate risk is that associated with the current Macquarie Bank Working Capital Facility. The interest rate payable is based on the bank bill swap bid rate displayed on the first day of the interest period on the Reuters screen BBSY page for a term equivalent to the interest period, or in certain circumstances a rate reasonably determined by the lender to be the appropriate equivalent rate reflecting the lenders cost of funding, having regard to prevailing market conditions

Subsequent to 30 June 2008, the group entered into an agreement for a loan facility with Macquarie Bank Limited. The per annum LIBOR margins are to be determined based on GGE Inc's PDP coverage ratio. The PDP coverage is the discounted value (at 10%) of the cashflows associated with the Proved Developed Producing reserves pursuant to the most recently generated Reserve Report divided by the total outstanding debt (including unconditionally committed but unfunded debt) plus or minus negative or positive working capital, respectively.

Group sensitivity

At 30 June 2008, if interest rates had changed by -/+ 80 basis points from the year end rates with all other variables held constant, operating profit for the year would have been $5,110 lower/higher (2007: change of 60bps: $nil lower/higher), as a result of higher/lower interest expense on the working capital facility.

Parent entity sensitivity.

The parent does not have any significant cash assets or liabilities and at this date is not exposed to interest rate risk.

(iv) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is not significantly exposed to credit risk from its operating activities, however the Board constantly monitors customer receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset mentioned on page 64. The Group does not hold collateral as security.

No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments and cash deposits.

(v) Capital Risk and Liquidity Risk Management

The Group's total capital is defined as GGE's shareholder's funds, plus net debt and amounted to $11,765,501 at 30 June 2008 (2007: 12,141,220).

The Group's overriding objectives when managing capital are to safeguard the business as a going concern; to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate credit facility. The Group manages liquidity risk by continuously monitoring forecast and actual cashflows. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

25. Financial instruments (continued)

Financing Arrangements

The group and the parent entity had access to the following borrowing facilities at the reporting date:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
Working Capital Facility	670,000	-	-	-

Maturities of financial liabilities

The tables below analyse the group's and the parent entity's financial liabilities and relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Group – At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives							
Non-interest bearing	1,564,237	-	-	-	-	1,564,237	1,564,237
Fixed rate	35,175	35,175	70,350	70,350	740,350	951,400	670,000
Total non-derivatives	1,564,237	35,175	70,350	70,350	740,350	2,515,637	2,234,237

Group – At 30 June 2007	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives							
Non-interest bearing	339,270	-	-	-	-	339,270	339,270
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	339,270	-	-	-	-	339,270	339,270

Company – At 30 June 2008	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives							
Non-interest bearing	43,223	-	-	-	1,174,742	1,217,965	1,217,965
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	43,223	-	-	-	1,174,742	1,217,965	1,217,965

Company – At 30 June 2007	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives							
Non-interest bearing	278,282	-	-	-	1,074,472	1,352,754	1,352,754
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	278,282	-	-	-	1,074,472	1,352,754	1,352,754

Refer to subsequent events note regarding the terms of the Macquarie Bank Facility.

(vi) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For oil and gas properties, the company is not at a stage to determine reserves or the present value of future cashflows. The carrying value of oil and gas properties is reviewed annually for impairment by the board of directors.

The net fair values of the financial assets and liabilities at balance date approximate the carrying amounts in the financial statements, except where specifically stated.

26. Share Based Payments

(a) Employee Option Plan

The Grand Gulf Energy Limited Employee Option Plan was approved at the general meeting held on 26 June 2007. Options are granted under the plan to senior level executives of the Company for no consideration.

Options granted under the plan carry no dividend or voting rights and have varied contractual lives.

The options granted under the plan are set out below:

Grand Gulf Energy Limited – 2008

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised /cancelled during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
29 Nov 05	31 Dec 08	$0.20	1,250,000	-	-	1,250,000	1,250,000
29 Nov 05	31 Dec 08	$0.08	1,906,250	-	-	1,906,250	1,906,250
24 Jan 06	30 Sep 09	$0.20	7,491,096	-	-	7,491,096	7,491,096
11 May 06	31 Dec 08	$0.25	750,000	-	-	750,000	750,000
11 May 06	31 Dec 08	$0.30	750,000	-	-	750,000	750,000
27 Dec 06	31 Dec 10	$0.08	1,000,000	-	-	1,000,000	1,000,000
27 Dec 06	31 Dec 10	$0.08	1,000,000	-	-	1,000,000	1,000,000
27 Dec 06	31 Dec 10	$0.08	500,000	-	-	500,000	500,000
24 Jan 07	30 Sep 09	$0.06	5,000,000	-	(5,000,000)	-	-
31 Jul 07	31 Dec 10	$0.08	-	1,200,000	(400,000)	800,000	800,000
31 Jul 07	31 Dec 10	$0.10	-	900,000	(300,000)	600,000	600,000
31 Jul 07	31 Dec 10	$0.12	-	900,000	(300,000)	600,000	600,000
Total			19,647,346	3,000,000	(6,000,000)	16,647,346	16,647,346
Weighted Average Exercise price			14.3c	9.8c	15.8c	16.3c	16.3c

Grand Gulf Energy Limited – 2007

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
29 Nov 05	31 Dec 08	$0.20	1,250,000	-	-	1,250,000	1,250,000
29 Nov 05	31 Dec 08	$0.08	1,906,250	-	-	1,906,250	1,906,250
24 Jan 06	30 Sep 09	$0.20	7,491,096	-	-	7,491,096	7,491,096
11 May 06	31 Dec 08	$0.25	750,000	-	-	750,000	750,000
11 May 06	31 Dec 08	$0.30	750,000	-	-	750,000	750,000
27 Dec 06	31 Dec 10	$0.08	-	1,000,000	-	1,000,000	1,000,000
27 Dec 06	31 Dec 10	$0.08	-	1,000,000	-	1,000,000	1,000,000
27 Dec 06	31 Dec 10	$0.08	-	500,000	-	500,000	500,000
24 Jan 07	30 Sep 09	$0.06	-	5,000,000	-	5,000,000	5,000,000
Total			12,147,346	7,500,000	-	19,647,346	19,647,346
Weighted Average Exercise Price			19.0c	6.7c	-	14.3c	14.3c

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2008 was $0.06 (2007 – not applicable).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.92 years (2007 – 2.22 years)

26. Share Based Payments (continued)

(a) Employee Option Plan (continued)

(b) Fair value of options granted

The assessed fair value at grant date of options granted during the year ended 30 June 2008 was between 2.8 cents and 3.3 cents per option (2007: between 2.9 and 4.2 cents). The fair value at grant date is determined using a Black-Scholes option pricing model which takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, and the risk free interest rate for the term of the option.

The weighted average model inputs used for options granted during the year ended 30 June 2008 included:

- share price at grant date: $0.06 (2007: between $0.06 and $0.07)
- expected price volatility of the company's shares: 85% (2007: 88%)
- expected dividend yield: Nil (2007: Nil)
- risk free interest rate: 6.35% (2007: 5.98-6.38%)

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Company	
	2008	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Options issued under employee option plan	78,044	-	78,044	-
Options issued to directors	177,938	70,000	177,938	70,000
	255,982	70,000	255,982	70,000

This expense related to the fair value of the 7,500,000 options issued to Directors during the 2007 financial year, 5,000,000 of which were exercised during this reporting period. (refer note 1 (o)) and 3,000,000 options issued to employees during the 2008 financial year.

27. Related Party Transactions

(a) Parent entity

The ultimate parent entity within the group is Grand Gulf Energy Limited (the legal parent). For discussion of the reverse acquisition accounting transaction and its effect upon the basis of preparation of the financial statements for the consolidated group, please refer to note 1(b).

(b) Subsidiaries

Interests in subsidiaries are set out in note 8.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(d) Loans to / from related parties

Grand Gulf Energy Limited has provided an unsecured, interest free and repayable on demand loan to its wholly owned subsidiary, Grand Gulf Energy Incorporated (formerly Alto Energy Incorporated), totalling $10,919,891 at balance date (2007: $8,423,091). An amount of NIL (2007: $589,160) has been provided for against loss on the loan. There were no repayments made during the year.

Grand Gulf Energy Limited has provided an unsecured, interest free and repayable on demand loan to its wholly owned subsidiary Golden Fleece Petroleum Incorporated, totalling $1,345,905 at balance date (2007: $1,345,905). An amount of $784,977 (2007: $13,037) has been provided for against loss on the loan. There were no repayments made during the year.

Alto Energy Limited has provided an unsecured, interest free and repayable on demand loan to its parent Grand Gulf Energy Limited, totalling $1,174,472 at balance date (2007: $1,074,472). No amount has been provided for against his loan.

Alto Energy Limited has provided an unsecured, interest free and repayable on demand loan to its wholly owned subsidiary Grand Gulf Energy Inc (formerly Alto Energy Inc), totalling $2,036,939 at balance date (2007: $2,036,939). There were no repayments made during the year. No amount has been provided for against this loan.

28. Interests in joint ventures

Included in the assets of the Company and the consolidated entity are the following items which represent the Company and the consolidated entity's interest in the assets and liabilities in joint ventures recorded in accordance with the accounting policy described in note 1(s).

	Consolidated		Company	
	2008	2007	2008	2007
	$	$	$	$
Current Assets				
Receivables	294,886	14,397	-	-
Total Current Assets	294,886	14,397	-	-
Non-Current Assets				
Capitalised oil and gas expenditure	4,180,428	2,669,469	-	-
Total Non-Current Assets	4,180,428	2,669,469	-	-
Total Assets	4,475,314	2,683,866	-	-
Current Liabilities				
Payables	855,940	110,487	-	-
Total Current Liabilities	885,940	110,487	-	-
Total Liabilities	885,940	110,487	-	-

The principal activity of all the joint venture operations is oil and gas exploration and production.

28. Interests in joint ventures (continued)

Listed below is the name of each of the areas of joint venture operations and the percentage interest held in the joint venture by the consolidated entity assuming farm-in and farm-out commitments in respect of leases are met.

	Working Interest	
	2008	**2007**
Louisiana leased acreage	3.7% - 26.3%	3.7% - 25.0%
Oklahoma leased acreage	5.6% - 24.6%	5.6% - 24.6%
Texas leased acreage	12.5%	-

29. Non-cash investing and financing activities

Options issued to employees under the Grand Gulf Energy Limited Employee Share Option Plan for no cash consideration are shown in note 26.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2008 and of the performance for the year ended on that date of the company and the consolidated entity.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in pages 5 to 13 of the directors' report (as the audited Remuneration Report), for the year ended 30 June 2008, comply with section 300A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Mr Charles Morgan
Chairman

Perth, 25 September 2008

BDO Kendalls

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INDEPENDENT AUDITOR'S REPORT

To the members of Grand Gulf Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Grand Gulf Energy Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Compliance with Australian Auditing Standards ensures that we have conducted our audit in accordance with International Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO Kendalls

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Grand Gulf Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 18 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Grand Gulf Energy Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Peter Toll

Peter Toll
Director

Subiaco, 25th September 2008

Information required by Australian Stock Exchange Limited

Additional information included in accordance with the Listing Rules of the Australian Stock Exchange Limited. The information is current as at 24 September 2008.

1. Statement of issued capital

a) Distribution of fully paid ordinary shares

Size of Holding			***Number of Shareholders***	***Shares Held***
1	-	1,000	46	13,332
1,001	-	5,000	36	96,339
5,001	-	10,000	57	501,297
10,001	-	100,000	550	23,260,806
100,001	and	Over	334	278,984,853
			1,021	302,856,627

b) There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote every share held.

2. Substantial shareholders

The names of substantial shareholders who had notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

Mr James Trimble	38,214,815 shares
Macquarie Group Ltd	33,018,000 shares
Mr Charles Morgan	20,582,125 shares
Argonaut Capital Ltd	16,138,702 shares

3. Quotation

Listed securities in Grand Gulf Energy Limited are quoted on the Australian Stock Exchange.

5. Top Twenty Shareholders as at 24 September 2008

The twenty largest shareholders hold 45.96% of the total issued ordinary shares in the Company as at 24 September 2008.

	Name	Number of Shares	% of Issued Shares
1.	Mr James Trimble	38,214,815	12.28
2.	Macquarie Bank Ltd	33,018,000	9.91
3.	Mr Charles Morgan	8,156,250	2.69
4.	Craig Ian Burton	7,977,738	2.63
5.	AFM Perseus Fund Limited	7,380,548	2.44
6.	Argonaut Capital Limited	6,153,125	2.03
7.	Seaspin Pty Ltd	5,950,000	1.96
8.	Mr GJ & Mrs JE Rezos	4,944,843	1.63
9.	Gordon Holdings (QLD) Pty Ltd	4,479,995	1.48
10.	Mr John Desmond Murphy	3,350,000	1.11
11.	Toltec Holdings Pty Ltd	3,301,398	1.09
12.	Mr HW & Mrs MH Daly	3,000,000	0.99
13.	Topsfield Pty Ltd	2,475,941	0.82
14.	Seaspin Pty Ltd	2,445,500	0.81
15.	EGR Investments Pty Ltd	2,319,220	0.76
16.	Scintilla Strategic Investments Pty Ltd	2,300,000	0.76
17.	Mulloway Pty Ltd	2,250,000	0.74
18.	Nutsville Pty Ltd	2,165,706	0.71
19.	Miss Betty Marie Friend	2,000,000	0.66
20.	WZ Nominees Pty Ltd (WZ Nominees Superfund A/C)	2,000,000	0.66
		143,883,079	46.16