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

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www.grandgulfenergy.com
ABN 22 073 653 175
ASX GGE

ASX/Media Release 28 October 2009

Annual Report and Notice of Annual General Meeting

Please find attached the following documents for immediate release:

- The 2009 Annual Report incorporating the Audited Financial Statements for Grand Gulf Energy Limited and Controlled Entities for the Year ended 30 June 2009; and
- The Notice of Meeting for the Annual General Meeting to be held on 27 November 2009 and the accompanying Proxy Form.

Mark Pitts
Company Secretary

For further information contact:

Mr James Trimble **Tel. +1 (713) 829-7930** **Email: jtrimble@grandgulf.net** **or**	**Mr Charles Morgan** **+61 412 152534** **Email: cmorgan@seaspin.com.au**

For more information visit www.grandgulfenergy.com and sign up for email news.

GRAND GULF ENERGY LIMITED

ACN 073 653 175

NOTICE OF GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting

Friday 27 November 2009

Time of Meeting

9.00 am

Place of Meeting

c/o Seaspin Pty Ltd
Ground Floor, 1292 Hay Street
West Perth, WA, 6005

Grand Gulf Energy Limited
Suite 8
7 The Esplanade
Mt Pleasant WA 6153

Tel: + 61 8 9316 9100
Fax: + 61 8 9315 5475

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of the members of Grand Gulf Energy Limited ("**Company**") will be held at the offices of Seaspin Pty Ltd, Ground Floor, 1292 Hay Street, West Perth WA 6005 on Friday 27th November 2009 at 9.00am for the purpose of transacting the following business.

AGENDA

An Explanatory Memorandum containing information in relation to each of the Resolutions set out accompanies this Notice of Meeting.

BUSINESS

To receive and consider the Directors' Report, the Financial Statements, the Directors' Declaration and the Independent Audit Report for the year ending 30 June 2009.

To consider, and if thought fit, to pass the following resolutions as ordinary resolutions.

1. RE-ELECTION OF MR ALLAN BOSS

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

"That Mr Allan Boss, a director who, automatically retires in accordance with rule 12.1.3 of the Company's constitution, be re-elected as a director of the Company"

2. ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to approve the following resolution, with or without amendment, as an **ordinary resolution**:

"That the Remuneration Report as set out in the Company's Annual Report for the year ended 30 June 2009, be adopted"

Note: The vote on this resolution is advisory only and does not bind the Directors of the Company.

3. APPROVAL OF ISSUE OF SHARES TO CHARLES MORGAN IN LIEU OF DIRECTORS' FEES

To consider and, if thought fit, to pass the following resolution, as an **ordinary resolution**:

"That, subject to the passing of Resolutions 4 to 6 inclusive, for the purpose of Section 208 of the Corporations Act and Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, Shareholders approve the issue of 8,400,000 Shares to Charles Morgan (or his nominee) on the terms and conditions outlined in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Charles Morgan (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. APPROVAL OF ISSUE OF SHARES TO JAMES TRIMBLE IN LIEU OF DIRECTOR'S FEES

To consider, and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolution 3 and Resolutions 5 and 6, for the purpose of Section 208 of the Corporations Act and Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, Shareholders approve the issue of 27,476,771 Shares to James Trimble (or his nominee) on the terms and conditions outlined in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by James Trimble (or his nominees) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. APPROVAL OF ISSUE OF SHARES TO STEPHEN KEENIHAN IN LIEU OF DIRECTOR'S FEES

To consider, and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 3 and 4 and Resolutions 6, for the purpose of Section 208 of the Corporations Act and Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, Shareholders approve the issue of 4,500,000 Shares to Stephen Keenihan (or his nominee) on the terms and conditions outlined in the Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Stephen Keenihan (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. APPROVAL OF ISSUE OF SHARES TO ALLAN BOSS IN LIEU OF DIRECTOR'S FEES

To consider, and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 3 to 5 inclusive, for the purpose of Section 208 of the Corporations Act and Listing Rule 10.11 of the Listing Rules of the Australian Securities Exchange, and for all other purposes, Shareholders approve the issue of 3,811,200 Shares to Allan Boss (or his nominee) on the terms and conditions outlined in Explanatory Memorandum."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Allan Boss (or his nominee) and any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

GENERAL NOTES

EXPLANATORY MEMORANDUM

Shareholders are referred to the explanatory memorandum (including the defined terms therein) accompanying and forming part of this notice of meeting.

ENTITLEMENT TO VOTE

Snapshot date

It has been determined that under the Corporations Regulations 2001 (Cth) regulation 7.11.37, for the purposes of the general meeting, Shares will be taken to be held by the persons who are the registered holders at 9:00am (WST) on 25 November 2009. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

PROXIES

A Shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the Shareholder. A proxy need not be a Shareholder and can be either an individual or a body corporate. If a Shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act 2001 (Cth);
- provides satisfactory evidence of the appointment of its corporate representative; and
- If such evidence is not received, then the body corporate (through its representative) will not be permitted to act as a proxy.

A Shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A Proxy Form accompanies this Notice of Meeting and to be effective must be received at the company's registered office:

- **Grand Gulf Energy Limited,**
  Suite 8, 7 The Esplanade Mt Pleasant, Western Australia, 6153; or

- **by facsimile: +61 8 9315 5475**

by no later than **9.00am on 25 November 2009**.

OTHER BUSINESS

To deal with any other business which may be brought forward in accordance with the Company's Constitution and the Corporations Act 2001 (Cth).

By order of the Board

Mark Pitts
Company Secretary

Dated: 20 October 2009

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Meeting of the Company.

The Directors of the Company recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice of Meeting.

1. Resolution 1 – Re-election of Mr Allan Boss

Resolution 1 seeks approval for the re-election of Mr Allan Boss as a director of the Company.

The Board appointed Mr Boss as a director of the Company on 13 November 2006.

Under Rule 12.1.3 of the Company's constitution, at each annual general meeting one third (or if that is not a whole number, the whole number nearest to one third) of the Company's Directors must retire from office and seek re-election.

Brief biographical information in relation to Mr Boss is available in the Company's annual report for the year ended 30 June 2009.

The Board (excluding Mr Boss) recommends that shareholders vote in favour of resolution 1.

2. Resolution 2 – Adoption of Remuneration Report

Pursuant to section 250R(2) of the Corporations Act 2001, a resolution adopting the Remuneration Report contained within the Directors' Report for the financial year ended 30 June 2009 must be put to the vote.

Shareholders are advised that pursuant to section 250R(3) of the Corporations Act, this resolution is advisory only and does not bind the directors of the Company.

The Remuneration Report is set out within the Directors' Report of the Company's 2009 Annual Report. The Remuneration Report:

- Explains the Board's policy for determining the nature and amount of remuneration of directors and company and group executives of Grand Gulf Energy Limited.
- Discusses the relationship between the Board's policy and Grand Gulf Energy's performance
- Sets out remuneration details for each director and the company and group executives of Grand Gulf Energy Limited.
- Details and explains any performance conditions applicable to the remuneration of directors and company and group executives of Grand Gulf Energy Limited; and
- Provides an explanation of share based compensation payments for each director and company and group executive of Grand Gulf Energy Limited.

Resolution 3 – 6 – Issue of shares to Directors

1. BACKGROUND

In order to preserve funds during 2009 while the Company has been in a difficult condition due its debt to Macquarie Bank and the low gas prices in the USA, the Directors (**Related Parties**) agreed to forego cash salaries and/or fees for the twelve months from 1st January 2009 to 31 December 2009 in exchange for being issued fully paid ordinary shares in the Company. This was announced to shareholders on 30th January 2009. The purpose of Resolutions 3 to 6 is to seek the approval of Shareholders for the issue of Shares to the Directors in lieu of Director's fees.

A summary of the fees payable to the Directors for the period 1 January 2009 to 31 December 2009 is outlined below:

Director	**12 months salary (AUD) outstanding**	**Value of shares issued**	**No of shares to be issued in lieu of fees**
Charles Morgan	$84,000	$0.01	8,400,000 (Resolution 3)
James Trimble	$274,768	$0.01	27,476,771 (Resolution 4)
Stephen Keenihan	$45,000	$0.01	4,500,000 (Resolution 5)
Allan Boss	$38,112	$0.01	3,811,200 (Resolution 6)
TOTAL	**$441,880**		**44,187,971**

Note: For salaries paid in US Dollars, a conversion rate of $1.6988 has been used.

As outlined above, for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

(a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and

(b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Shares to the Related Parties requires the Company to obtain Shareholder approval because the grant of Shares constitutes giving a financial benefit and as Directors, Messrs Morgan, Trimble, Keenihan and Boss are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Shares to the Related Parties.

2. SHAREHOLDER APPROVAL (CHAPTER 2E OF THE CORPORATIONS ACT AND LISTING RULE 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Shares:

(c) the related parties are Messrs Morgan, Trimble, Keenihan and Boss and they are related parties by virtue of being Directors;

(d) the maximum number of Shares (being the nature of the financial benefit being provided) to be granted to the Related Parties is:

(i) 8,400,000 Shares to Charles Morgan pursuant to Resolution 3;

(ii) 27,476,771 Shares to James Trimble pursuant to Resolution 4;

(iii) 4,500,000 Shares to Stephen Keenihan pursuant to Resolution 5; and

(iv) 3,811,200 Shares to Allan Boss pursuant to Resolution 6;

(e) the Shares will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be issued on one date;

(f) the Shares will be issued at a deemed issue price of $0.01 per Share, however they will be issued for nil cash consideration in lieu of the fees that would otherwise be payable to the Related Parties, accordingly no funds will be raised;

(g) the Shares, when issued, will rank pari passu with all existing Shares on issue;

(h) the relevant interests of the Related Parties in securities of the Company are set out below:

Related Party	Shares	Options
Charles Morgan	22,252,125	-
James Trimble	41,234,392	-
Stephen Keenihan	2,580,000	-
Allan Boss	325,000	-

the remuneration and emoluments from the Company to the Related Parties for both the current financial year and previous financial year are set out below:

Related Party	Current Financial Year	Previous Financial Year
Charles Morgan	$42,000	$84,000
James Trimble	$184,415	$368,830
Stephen Keenihan	$22,500	$53,035
Allan Boss	$22,500	$52,041

The current financial year figures represent fees payable for the six months to December 2009

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(i) the Shares granted to the Related Parties will increase the number of Shares on issue from 302,856,627 to 347,044,598 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	**Issued Shares as at the date of this Notice of Meeting**	**Shares to be issued**	**Shares on issue following issue of new Shares**	**Dilutionary effect**
Charles Morgan	302,856,627	8,400,000	311,256,627	2.77%
James Trimble	302,856,627	27,476,771	330,333,398	9.07%
Stephen Keenihan	302,856,627	4,500,000	307,356,627	1.49%
Allan Boss	302,856,627	3,811,200	306,667,827	1.26%
TOTAL	**302,856,627**	**44,187,971**	**347,044,598**	**14.59%**

(j) The trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	**Date**
Highest	2.1 cents	16 October 2008
Lowest	0.3 cents	29 May 2009
Last	0.5 cents	19 October 2009

(k) the primary purpose of the issue of the Shares to the Related Parties is to maintain the Company's cash reserves by issuing the Related Parties with the Shares in lieu of the Directors' fees that would otherwise be payable to the Related Parties over the period 1 January 2009 to 31 December 2009, a summary of which is outlined above; and

(l) as each of Resolutions 3 to 6 are inter-conditional, each of the Directors declines to make a recommendation in relation to any of Resolutions 3 to 6 because of their material personal interest in the outcome of each of those Resolutions.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Shares to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

GLOSSARY

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means the ASX Limited;

"**Company**" or "**Grand Gulf** " means Grand Gulf Energy Limited (ACN 073 653 175);

"**Corporations Act**" means Corporations Act 2001 (Cth);

"**Board**" means the board of Directors of the Company from time to time;

"**Director**" means a director of the Company;

"**Explanatory Memorandum**" means the Explanatory Memorandum accompanying this Notice of Meeting;

"**Listing Rules**" means the Listing Rules of ASX;

"**Notice of Meeting**" means the Notice of General Meeting accompanying this Explanatory Memorandum;

"**Share**" means a fully paid ordinary share in the capital of Grand Gulf;

"**Shareholder**" means a shareholder in Grand Gulf.

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PROXY FORM

APPOINTMENT OF PROXY
GRAND GULF ENERGY LIMITED
ACN 073 653 175

I/We ____________________

being a Member of Grand Gulf Energy Limited entitled to attend and vote at the Meeting, hereby

Appoint ____________________

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at 9.00 am (WST) on Friday, 27 November 2009 at Seaspin Pty Ltd, Ground Floor, 1292 Hay Street, West Perth, Western Australia and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the Resolutions.

Voting on Business of the General Meeting

		FOR	**AGAINST**	**ABSTAIN**
Resolution 1	Re-election of Mr Allan Boss as director	☐	☐	☐
Resolution 2	Adoption of Remuneration Report	☐	☐	☐
Resolution 3	Issue of Shares to Charles Morgan	☐	☐	☐
Resolution 4	Issue of Shares to James Trimble	☐	☐	☐
Resolution 5	Issue of Shares to Stephen Keenihan	☐	☐	☐
Resolution 6	Issue of Shares to Allan Boss	☐	☐	☐

If you do not wish to direct your proxy how to vote, please place a mark in this box ☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the Resolutions if no directions are given.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this ________ day of ________ 2009
By:

Individuals and joint holders	**Companies (affix common seal if appropriate)**
Signature	Director
Signature	Director/Company Secretary
Signature	Sole Director and Sole Company Secretary

GRAND GULF ENERGY LIMITED
ACN 073 653 175

Instructions for Completing 'Appointment of Proxy' Form

1. (**Appointing a Proxy**): A member entitled to attend and vote at a General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.

2. (**Direction to Vote**): A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.

3. (**Signing Instructions**):

   - (**Individual**): Where the holding is in one name, the member must sign.

   - (**Joint Holding**): Where the holding is in more than one name, all of the members must sign.

   - (**Power of Attorney**): If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

   - (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

4. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual members from attending the General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the General Meeting.

5. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

   a) Post to Grand Gulf Energy Limited,
   Suite 8, 7 The Esplanade Mt Pleasant, Western Australia, 6153;

   or

   b) Facsimile to the Company on facsimile number +61 8 9315 5475

so that it is received not later than 12.00 pm (WST) on 25 November 2009.

Proxy forms received later than this time will be invalid.

Grand Gulf Energy Limited

ABN 22 073 653 175

Financial Report

for the financial year ended

30 June 2009

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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

REGISTERED AND PRINCIPAL OFFICE
Grand Gulf Energy Limited
Suite 8, 7 The Esplanade
Mt Pleasant, 6153
Western Australia
Telephone: +61 (0) 8 9316 9100
Facsimile: +61 (0) 8 9315 5475
Email: **info@grandgulf.net**
Website: www.grandgulfenergy.com

AUDITORS
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128 Hay Street
Subiaco WA 6008
Telephone: +61 8 9380 8400
Facsimile: +61 8 9380 8499

LEGAL ADVISORS
Steinepreis Paganin
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PERTH WA 6001
Telephone: +61 8 9321 4000
Facsimile: +61 8 9321 4333

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Advanced Share Registry Services
150 Stirling Hwy
Nedlands WA 6009
Australia
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BANKERS
ANZ Banking Group
Allendale Square
77 St Georges Terrace
Perth WA 6000
Australia

ASX CODE
GGE

ABN
22 073 653 175

LETTER FROM CHAIRMAN

Dear Shareholder,

In today's challenging times for many of our industry companies, the 2008/2009 financial year has been a very difficult one for Grand Gulf Energy Limited.

The year began with record oil and gas prices in the US and the world with oil soaring to over $140 per barrel and natural gas prices to above $12 per Mcf. Since then, oil has been as low as $35 per barrel but has rebounded to around $70 per barrel while natural gas in the United States hovers around $3.00 per Mcf.

Over the last few years, Grand Gulf has been focused on its successful operations in basins predominately focused on natural gas and is therefore struggling with the current price situation.

During the year, Grand Gulf participated in drilling a total of 8 wells, with four wells located in LeFlore County, Oklahoma, three wells in Custer County, Oklahoma and one well in Louisiana. All but the Dugas & Leblanc #1 well at the Napoleonville Salt Dome Project, Assumption Parish, Louisiana were completed and turned to sales.

In September 2008 Grand Gulf announced a working capital facility with Macquarie Bank for US$2.5 million. This facility was secured by the assets of Grand Gulf and particularly its producing wells and reserves in LeFlore County, Oklahoma. Due to the low gas prices in the United States, the value of Grand Gulf's reserves breached the loan covenants and Grand Gulf had to set about selling assets to repay the facility pursuant to a waiver provided by Macquarie Bank as to the breaches of the facility.

Grand Gulf has since sold its LeFlore County, Oklahoma assets effective as of May 2009 to reduce the facility. Macquarie Bank has continued to work with the company and provide a waiver to the breaches, to allow time for the company to work out its facility.

Following the failure of the Dugas & Leblanc #1 well at the Napoleonville Salt Dome Project Grand Gulf has contracted in house consultants to completely review and rework the 3D seismic. The company remains excited about the project and believes drilling opportunities for meaningful reserve additions are in its sights. However, the two year process to get the first well drilled at Napoleonville has cost your company dearly in operating capital and delayed revenue. The continuing challenges with the joint venture have made the process of getting wells drilled difficult but the company is pushing ahead. We anticipate getting one well drilled in the last quarter of calendar year 2009.

As we look forward to 2010, Grand Gulf will continue to work out its debt with Macquarie Bank by marketing portions of its interest in the Napoleonville Salt Dome Project or other assets and subject to financing participation in future wells.

Yours sincerely,

Charles Morgan
Chairman

THE BOARD AND MANAGEMENT

BOARD
Mr James Trimble
Managing Director and CEO

Mr Trimble joined Grand Gulf Energy as a non-Executive Director in February, 2006 and as Managing Director, CEO in October, 2006. Mr Trimble has more than 35 years experience in the US and international oil and gas industries specialising in engineering, operations, exploration, management, acquisitions, divestitures and corporate restructuring. Most of his career was with Cabot Oil & Gas Corporation, a leading US public independent energy company, where he was Senior Vice President. Mr Trimble is based in Houston, Texas.

Mr Charles Morgan
Chairman

Mr Morgan is an experienced resources executive who has successfully identified international opportunities and acquired large, early stage and strategic positions in a wide range of ventures around the globe. In the energy sector, he founded Hercules Energy, Wildhorse Energy Limited, Matra plc, Elixir Petroleum, Golden Triangle Energy Inc, SOCDET (now Nido Petroleum Limited), West Oil and Fusion Oil & Gas plc. Mr Morgan is based in Perth, Western Australia.

Mr Stephen Keenihan
Non-executive Director

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 manager of Australia for Novus Petroleum and WMC Resources Petroleum Division. He has managed exploration, development, operations, commercial and marketing activities in the energy industry.

Mr Allan Boss
Non-executive Director

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.

MANAGEMENT

Mr Mark Pitts
Company Secretary

Mr Pitts is a Chartered Accountant with over twenty five years experience in statutory reporting and business administration. Mr Pitts is a Partner in the advisory firm Endeavour Corporate (Endeavour). 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. Endeavour acts for a number of ASX listed and unlisted Public Companies including Grand Gulf Energy Limited.

Mr Keith MacIvor
Engineering and Operations

MacIvor graduated Magna cum Laude in Petroleum Engineering from Texas A&M University. He has since spent over 20 years in the oil and gas industry initially with ARCO (now part of BP) in Reservoir Engineering and later in gas marketing and trading roles at Pennzoil, PennUnion and Columbia Energy. He brings a wide range of reservoir engineering, gas marketing, gas trading and economics experience to Grand Gulf.

Mr Peter (Skip) Bacon
Land Manager

Mr Bacon is a Certified Petroleum Landman with 28 years of broad land management experience in the USA. He has served as Land Manager and directed all division level land management functions for companies including Amerada Hess, Barrett Resources, Unocal and EOG Resources. In these roles he has been responsible for cost and quality of department work product with respect to all lease acquisition, drill site title curative, joint venture partnerships, industry trade agreements, lease and contract administration, division orders, AFE flow and partner/governmental relations BO.

Mr John Lepin
Controller

Mr. Lepin has over twenty years experience in accounting and financial management in the oil & gas Industry with small to multi-national companies. He started his career with KPMG moving on to Ladd Petroleum, Anshutz Corporation and Royale Energy. He received a Bachelor of Science in Accounting from the University of California Los Angeles and a Master of Business Administration from the University of Colorado. Mr. Lepin joined Grand Gulf Energy as Financial Controller in 2008.

Grand Gulf Energy's Board and Corporate Governance

Introduction
Since the introduction of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines" or "the Recommendations"), Grand Gulf Energy Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company, the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

Further information about the Company's corporate governance practices is set out on the Company's website at www.grandgulfenergy.net. In accordance with the recommendations of the ASX, information published on the Company's website includes:

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

Explanation for Departures from Best Practice Recommendations
During the Company's 2008/2009 financial year the Company has complied with the Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("Corporate Governance Principles and Recommendations")[i] and has adopted the revised Principles and Recommendations taking effect from reporting periods beginning on or after 1 January 2008. Significant policies and details of any significant deviations from the principles are specified below.

Corporate Governance Council Recommendation 1
<u>Lay Solid Foundations for Management and Oversight</u>

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.

In complying with Recommendation 1.1 of the Corporate Governance Council, the company has adopted a formal Board 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.

Corporate Governance Council Recommendation 2
Structure the Board to Add Value

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.

Independent Chairman
The Chairman is not considered to be an independent director and as such Recommendation 2.2 of the Corporate Governance Council has not been complied with. However, the Board believes that Mr Morgan is the most appropriate person for the position as Chairman because of his industry experience and proven track record as a public company director.

Roles of Chairman and Chief Executive Officer
The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such the Company complies with Recommendation 2.3 of the Corporate Governance Council.

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 7 times between 1 July 2008 and 30 June 2009.

The Board meets formally at least 6 times each year, and from time to time meetings are convened outside the scheduled dates to consider issues of importance.

Directors’ attendance at Board and Committee meetings is detailed on page 26 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.

Education
All Directors are encouraged to attend professional education courses relevant to their roles.

Corporate Governance Council Recommendation 3
Promote Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

Code of Conduct
The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Company, and as such complies with Recommendation 3.1 of the Corporate Governance Council. This code 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.

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.

Corporate Governance Council Recommendation 4
Safeguarding Integrity in Financial Reporting

Financial Reporting

Consistent with ASX Principle 4.1, the Company's financial report preparation and approval process for the financial year ended 30 June 2009 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.

Corporate Governance Council Recommendation 5
Make Timely and balanced disclosure

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 has primary responsibility for the disclosure of material information to ASIC and ASX and maintains 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.

Corporate Governance Council Recommendation 6
Respect the Rights of Shareholders

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.

Corporate Governance Council Recommendation 7
Recognise and manage risk

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.

Key identified risks to the business are monitored on an ongoing basis as follows:

- Business risk management

  The Company manages its activities within budgets and operational and strategic plans.

- Internal controls

  The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.

- Financial reporting

  Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.

- Operations review

  Members of the Board regularly visit the Company's exploration project areas, reviewing both geological practices, and environmental and safety aspects of operations.

- Environment and safety

  The Company is committed to ensuring that sound environmental management and safety practices are maintained on its exploration activities.

The Company's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

Risk Reporting
As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Company does not have an internal audit function.

Managing Director and Chief Financial Officer Written Statement
The Board requires the Managing Director and the Company Secretary provide a written statement that the financial statements of company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporation Act. The Board also requires that the Managing Director and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

The declarations have been received by the Board, in accordance with Recommendation 7.3 of the Corporate Governance Council.

Corporate Governance Council Recommendation 8
Remunerate Fairly and Responsibly

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 17 and 18 of this annual report. Detailed disclosure of the remuneration paid to the Company's directors and executives is set out on pages 19 to 24.

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.

Distinguish Between Executive and Non-Executive Remuneration

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 not receive any other retirement benefits other than a superannuation guarantee contribution required by government regulation, which is currently

9% of their fees. 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.

The Directors of Grand Gulf Energy Limited submit herewith the annual financial report of the consolidated entity consisting of Grand Gulf Energy Limited and the entities it controlled at the end of, or during the year ended 30 June 2009 (referred to hereafter as the group).

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 and Fusion Oil & Gas plc.

During the past three years Mr Morgan held a directorship in Commoditel Limited, Jutt Holdings Limited and 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 2008

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 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 year.

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 year.

REVIEW AND RESULTS OF OPERATIONS

For the financial year ending 30 June 2009, the loss attributable to members of the consolidated entity is $7,657,440 (2008: loss $1,412,001).

Review of operations of Grand Gulf Energy Limited consolidated group

Louisiana

Napoleonville Salt Dome (26.4%)
The Dugas & Leblanc #1 well was spud on 5 February 2009 and reached TD on 3 March. While the projected objective sands were encountered logs showed them to be water wet and the well was plugged and abandoned.
Following this well Grand Gulf contracted its own team of in-house consultants to conduct a thorough review and reinterpretation of the 3D seismic over the salt dome. This work included a review of the historic well results, play types and prospects and incorporating the results into a forward plan for the project.
Despite the time delays in the project and the failure of Dugas & LeBlanc #1, the review has only increased Grand Gulf's belief in the potential of the project. Grand Gulf's geological and geophysical team has identified unrisked potential of over 500 Bcf gross reserves. It has identified a priority list of eight prospects with an average potential of over 50Bcf each. Each of these prospects combines shallower sands with smaller low risk reserve potential with deeper sand objectives with larger reserve and higher risk potential. The first of which, in what is referred to as the Mound Area, has been proposed to the group and expect to be drilled in the 4th quarter 2009.
Grand Gulf is currently presenting the Napoleonville opportunity to a number of companies with objective of either selling a portion of its interest or attracting a merger party in order to ensure the continued viability of the company.

Oklahoma

Foothills
Grand Gulf drilled four wells in LeFlore County during the year. All were successful but low gas prices and the breach of loan covenants over its working capital facility with Macquarie Bank has lead to Grand Gulf disposing of its interests in Foothills project with an effective date of 1 May 2009. The proceeds of the sale will reduce the amount that Grand Gulf owes to Macquarie Bank.

Custer County
Grand Gulf has a 3.825% working interest in 12 wells that are producing from the Skinner Formation and operated by Noble Energy. Only one well has been drilled since the June quarter of 2008, due to low gas prices. The company has 4 PUD locations awaiting drilling in this asset.

Texas
Grand Gulf has 2 wells producing in the N. Francitas Field. The wells came on line in August of last year and are producing at a gross combined rate of 60 BOPD and 100 MMCFPD of associated gas.

Both the N. Francitas and Custer County assets are being reviewed as candidates for divesture for repayment of the Macquarie loan facility.

As at 30 June 2009 the consolidated cash position was $257,656 (2008: $2,412,488).

Exploration expenditure was $4.73m (2008: $7.06m).

SUBSEQUENT EVENTS

In July 2009, Grand Gulf disposed of its LeFlore County, Oklahoma leases and production interests to pay down debt and has entered into an agreement to sell its 12.5% interests in two wells in Jackson Co, Texas to further reduce its debt.

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 year, 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 year.

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.

ENVIRONMENTAL ISSUES

The group holds various exploration licences to regulate its exploration activities in the USA. These include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities. So far as Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations in all jurisdictions in which the group operates.

NGER ACT

The Directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current nor subsequent financial year. The Directors will reassess this position as and when the need arises.

SHARE OPTIONS

As at the date of this report, there were a total of 78,775,000 unissued ordinary shares under option (78,775,000 at balance date). Refer to note 15 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 no options under the shareholder approved Employee Share Option Plan. Details regarding the issue of share options under this plan are provided in note 27 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	41,234,392	-	-	-
Mr C Morgan	9,562,500	12,689,625	-	-
Mr A Boss	325,000	-	-	-
Mr S Keenihan	2,580,000	-	-	-

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 300A 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 agreement. 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 contract 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 2009 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 2009 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 2001 as 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 27 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:

2009

	Short term benefits		Post-employment	Equity	Total	Proportion of remun. performance related	Remuneration relating to options
	Salary and fees	Bonus	Super-annuation	Options			
	$	$	$	$	$	%	%
Directors							
Mr C Morgan (i)	84,000	-	-	-	84,000	-	-
Mr J Trimble (i)	368,830	-	-	-	368,830	-	-
Mr S Keenihan (i)	45,000	-	-	8,035	53,035	-	15.2
Mr A Boss (i)	44,006	-	-	8,035	52,041	-	15.4
Total Directors	541,836	-	-	16,070	557,906		
Executives							
Mr K MacIvor (ii)	155,740	-	-	26,380	182,120	-	14.5
Mr P Bacon (ii)	93,696	-	-	26,380	120,076	-	21.9
Mr J Lepin (ii)	147,532	-	-	-	147,532	-	-
Total Executives	396,968	-	-	52,760	449,728		
Total Remuneration	938,804	-	-	68,830	1,007,634		

(i) In December 2008 the Directors agreed to accept shares in lieu of their fees/salaries for the period 1 January 2009 to 30 June 2009. The amounts shown above include an accrual of fees/salaries for the six months ended 30 June 2009.

(ii) Executives are all employed by Grand Gulf Energy Inc.

(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:

2008

	Short term benefits		Post-employment	Equity	Total	Proportion of remun. Performance related	Remuneration relating to options
	Salary and fees	Bonus	Super-annuation	Options			
	$	$	$	$	$	%	%
Directors							
Mr C Morgan	84,000	-	-	-	84,000	-	-
Mr J Trimble	306,025	-	-	157,016	463,041	-	33.9
Mr S Keenihan	67,260	-	-	8,057	75,317	-	10.7
Mr A Boss	42,314	-	-	8,057	50,371	-	15.9
Mr A Grist (resigned 8 August 2008)	-	-	-	-	-	-	-
Total Directors	499,599	-	-	173,130	672,729		
Executives							
Mr K MacIvor	129,638	-	-	26,380	156,018	-	16.9
Mr P Bacon	92,187	-	-	26,380	118,567	-	22.2
Ms J Ribbeck (resigned 5 May 2008)	86,425	-	-	25,284	111,709	-	22.6
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		

(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:

2009

	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	368,830	-	-	-	-	368,830
Mr S Keenihan	45,000	-	-	-	8,035	53,035
Mr A Boss	44,006	-	-	-	8,035	52,041
Total	541,836	-	-	-	16,070	557,906

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 2008)	-	-	-	-	-	-
Total	499,599	-	-	-	173,130	672,729

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 are issued 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	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				
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
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
02 December 2008	02 December 2012	$0.04	$0.0074	2 December 2012
18 September 2008	11 September 2012	$0.04	$0.0101	11 September 2012
4 June 2009	4 June 2013	$0.005	$0.0050	4 June 2013

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.

D. Share based compensation (audited)

Options (continued)

Name	Number of options granted during the year		Number of options vested during the year	
	2009	2008	**2009**	2008
Directors of Grand Gulf Energy Limited				
Mr J Trimble	-	-	-	-
Mr C Morgan	-	-	-	-
Mr S Keenihan	-	-	-	-
Mr A Boss	-	-	-	-
Executives of the consolidated group				
Mr K MacIvor	-	1,000,000	300,000	400,000
Mr P Bacon	-	1,000,000	300,000	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.

There were no options issued to employees or Directors during this financial year.

The model inputs for options granted during the year ended 30 June 2008 included:
(a) options are granted for no consideration and vest based on grant date;
(b) exercise price: 8.0 cents to 12.0 cents;
(c) grant date: 31 July 2007;
(d) expiry date: 31 Dec 2010;
(e) share price at grant date: 6c;
(f) expected price volatility of the company's shares: 85%;
(g) expected dividend yield:nil; and
(h) risk free interest rate:6.35%.

E. Additional Information

For each grant of options included in the table on page 69, 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 $**
J Ribbeck	2008	40	60	-	-	-
P Bacon	2008	70	-	30/06/2010	nil	8,290
K MacIvor	2008	70	-	30/06/2010	nil	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	-	-	-	-	-	-
Mr S Keenihan	-	-	-	-	8,035	15.2
Mr A Boss	-	-	-	-	8,035	15.4
Total Directors	-	-	-	-	16,070	
Executives						
Mr K MacIvor	-	-	-	-	26,380	14.5
Mr P Bacon	-	-	-	-	26,380	21.9
Total Executives	-	-	-	-	52,760	
TOTAL	-	-	-	-	68,830	

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 27 of the financial statements.

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.

This is the end of the audited remuneration report.

Shares issued on the exercise of options

There were no ordinary shares of Grand Gulf Energy Limited were issued during the year ended 30 June 2009 on the exercise of options granted under the Grand Gulf Energy Limited Employee Option Plan. No amounts are unpaid on any of the shares.

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	
	Held	**Attended**
Mr J Trimble	7	6
Mr C Morgan	7	6
Mr A Boss	7	6
Mr S Keenihan	7	7

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 as required under section 307C of the Corporations Act 2001 is included on the following page.

Dated at Perth, 30 September 2009, 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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www.bdo.com.au

ABN 79 112 284 787

30 September 2009

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

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 2009, 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.

Peter Toll
Director

BDO Kendalls

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

INCOME STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Notes	Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Revenue from continuing operations	2	684,823	1,115,640	1,207	42,899
Other income	3(a)	152,278	90,850	-	-
Corporate office expenses		(208,770)	(173,953)	(4,813)	(11,879)
Employee benefits expense		(849,894)	(940,636)	(227,622)	(480,456)
Amortisation of oil and gas capitalised expenditure	10	(388,367)	(570,146)	-	-
Impairment of capitalised oil and gas expenditure	10	(6,220,370)	-	-	-
Professional and statutory fees		(371,856)	(462,584)	(199,527)	(230,165)
Provision for diminution of investments	8	-	-	-	-
Provision for loss on inter-company loans	6(iii)	-	-	(9,392,223)	(182,780)
Other expenses		(455,284)	(459,251)	(323,517)	(280,866)
Loss before income tax		(7,657,440)	(1,400,080)	(10,146,495)	(1,143,247)
Income tax (expense)/ benefit	4	-	(11,921)	-	-
Loss from continuing operations		(7,657,440)	(1,412,001)	(10,146,495)	(1,143,247)
Loss attributable to members of the Company	17	(7,657,440)	(1,412,001)	(10,146,495)	(1,143,247)

	Notes	Consolidated 2009	Consolidated 2008
Loss per share			
Basic (cents)	22	(2.53)	(0.5)
Diluted (cents)	22	(2.53)	(0.5)
Loss per share from continuing operations			
Basic (cents)	22	(0.6)	(0.5)
Diluted (cents)	22	(0.6)	(0.5)

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

	Notes	Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
ASSETS					
Current Assets					
Cash and cash equivalents	18(a)	257,656	2,412,488	26,037	13,949
Trade and other receivables	6	97,575	328,026	12,391	17,673
Other assets	7	508,163	170,273	489,080	157,891
Non current assets held for sale	11	1,159,724	-	-	-
Total Current Assets		2,023,118	2,910,787	527,508	189,513
Non-Current Assets					
Trade and other receivables	6	-	-	1,670,067	11,480,818
Other financial assets	8	-	-	4,097,271	4,097,271
Property, plant and equipment	9	2,454	4,808	1,557	2,414
Exploration expenditure	10	7,375,756	10,455,920	-	-
Total Non-Current Assets		7,378,210	10,460,728	5,768,895	15,580,503
Total Assets		9,401,328	13,371,515	6,296,403	15,770,016
LIABILITIES					
Current Liabilities					
Trade and other payables	12	796,697	1,564,237	1,285,886	1,217,965
Borrowings	14	3,265,960	-	-	-
Total Current Liabilities		4,062,657	1,564,237	1,285,886	1,217,965
Non-Current Liabilities					
Provisions	13	13,481	41,777	-	-
Borrowings	14	-	670,000	-	-
Total Non-Current Liabilities		13,481	711,777	-	-
Total Liabilities		4,076,138	2,276,014	1,285,886	1,217,965
Net Assets		5,325,190	11,095,501	5,010,517	14,552,051
EQUITY					
Contributed equity	15	25,264,897	25,264,897	27,370,248	27,370,248
Reserves	16	2,285,782	398,653	3,862,738	3,257,777
Accumulated losses	17	(22,225,489)	(14,568,049)	(26,222,469)	(16,075,974)
Total Equity		5,325,190	11,095,501	5,010,517	14,552,051

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

Consolidated

	Issued capital	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	$	$	$	$	$	$
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
Balance at 1 July 2008	25,264,897	(1,067,342)	789,195	676,800	(14,568,049)	11,095,501
Loss attributable to members of the parent entity	-	-	-	-	(7,657,440)	(7,657,440)
Foreign currency translation adjustment	-	1,282,167	-	-	-	1,282,167
Total recognised income and expense	-	1,282,167	-	-	(7,657,440)	(6,375,273)
Shares issued, net of issue costs	-	-	-	-	-	-
Share options issued	-	-	604,962	-	-	604,962
Balance at 30 June 2009	25,264,897	214,825	1,394,157	676,800	(22,225,489)	5,325,190

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

Company

	Issued capital	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	$	$	$	$	$	$
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	(16,075,974)	14,552,051
Balance at 1 July 2008	27,370,248	-	2,580,977	676,800	(16,075,974)	14,552,051
Loss attributable to members of the parent entity	-	-	-	-	(10,146,495)	(10,146,495)
Total recognised income and expense	-	-	-	-	(10,146,495)	(10,146,495)
Shares issued, net of issue costs	-	-	-	-	-	-
Share options issued	-	-	604,961	-	-	604,961
Balance at 30 June 2009	27,370,248	-	3,185,938	676,800	(26,222,469)	5,010,517

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 2009

	Notes	Consolidated		Company	
		2009	2008	2009	2008
		$	$	$	$
Cash flows from operating activities					
Receipts from customers		926,192	735,909	-	-
Payments to suppliers and employees		(1,005,774)	(1,907,680)	(407,647)	(849,762)
Payments for exploration and evaluation		(5,470,746)	(6,013,829)	-	-
Interest received		27,344	71,133	1,207	42,899
Interest paid		(137,900)	(42,118)	-	-
Net cash outflow from operating activities	18(b)	(5,660,884)	(7,156,585)	(406,440)	(806,863)
Cash flows from investing activities					
Loans from /(to) controlled entity		-	-	418,528	(2,396,530)
Deposit on sale of non current assets received		17,111	-	-	-
Proceeds on sale of exploration assets		-	2,693,288	-	1,000
Net cash (outflow) / inflow from investing activities		17,111	2,693,288	418,528	(2,395,530)
Cash flows from financing activities					
Proceeds from loans		2,842,045	670,000	-	-
Proceeds from issue of ordinary shares and other equity securities		-	1,047,063	-	1,047,063
Capital raising costs		-	(72,313)	-	(72,313)
Net cash (outflow) / inflow from financing activities		2,842,045	1,644,750	-	974,750
Net increase / (decrease) in cash and cash equivalents		(2,801,728)	(2,818,547)	12,088	(2,227,643)
Cash and cash equivalents at the beginning of the financial year		2,412,488	5,706,863	13,949	2,241,592
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		646,896	(475,828)	-	-
Cash and cash equivalents at the end of the financial year	18(a)	257,656	2,412,488	26,037	13,949

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 2009. 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.

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 2009 was $29,156 (2008: $255,982).

(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.

Going concern
The Group's annual financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred an operating loss after tax of $7,657,440 for the year ended 30 June 2009 and had positive net assets of $5,325,190.

At the date of this financial report the Company is in breach of a covenant in relation to its Facility Agreement with Macquarie Bank. The value of the Company's total proven reserves is less than twice the value of its Borrowing Base and an Event of Default has occurred. Macquarie Bank has the right to call the repayment of the facility. At this time the Company has received an undertaking from Macquarie Bank that it will not call for repayment at this stage and to allow the Directors to properly assess the options for the Company Macquarie has waived its rights in respect of those breaches up until October 2009.

If the Group is not able to realise a portion of its assets, raise funds or establish financing facilities, there is material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report.

(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 2009, 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 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 April 2009
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 had no borrowing costs associated with qualifying assets and as such the amendments are not expected to have an impact on the Group's financial report.	1 April 2009

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	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 April 2009
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 April 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 April 2009
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 interests 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 April 2010

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 April 2010
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).	1 April 2010
AASB 2008-5	Amendments 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	No changes are expected to materially affect the Group.	1 April 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Refer to AASB 2008-5 above.	1 July 2009	No changes are expected to materially affect the Group.	1 April 2010

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 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	No changes are expected to materially affect the Group.	1 April 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Group.	1 April 2010

2. Revenue from ordinary activities

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Revenues from ordinary activities				
Interest	27,344	71,132	1,207	42,899
Sale of oil and gas	657,479	1,044,508	-	-
Total revenues from ordinary activities	684,823	1,115,640	1,207	42,899

3. Loss from operations

(a) Other income

Net gain on sale of non-current assets	17,111	90,850	-	-
Foreign exchange	129,309	-		
Other	5,858	-	-	-
	152,278	90,850	-	-

(b) Expenses

Loss before income tax includes the following specific expenses:

Depreciation				
Plant and equipment	2,354	3,914	857	1,202
Total depreciation	2,354	3,914	857	1,202
Net loss on disposal of property, plant and equipment	-	-	-	6,825
Rental expense relating to operating leases				
Minimum lease payments	109,847	73,938	-	-
Total rental expense relating to operating leases	109,847	73,938	-	
Defined contribution superannuation expense	-	-	-	-
Foreign exchange gains and losses				
Net foreign exchange gain/(losses)	129,309	(46,917)	-	-
Finance Costs				
Borrowing expense	291,726	72,283	291,726	72,283
Interest expense	117,700	42,118	-	-
	409,426	114,401	291,726	72,283

4. Income tax

(a) Income tax expense

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
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	
	2009	2008	2009	2008
	$	$	$	$
Loss from ordinary activities before income tax expense	(7,657,440)	(1,400,080)	(10,146,495)	(1,143,247)
Prima facie tax benefit on loss from ordinary activities at 30% (2008: 30%)	(2,297,232)	(420,024)	(3,043,948)	(342,974)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Share based payments	8,747	76,795	8,747	76,795
Other	-	14,752	-	-
Intercompany loss provisions	-	-	2,817,667	54,834
	(2,288,485)	(328,477)	(217,534)	(211,345)
Movements in deferred taxes in relation to temporary differences	(825,155)	(804,652)	(38,796)	(39,236)
Difference in overseas tax rates	(1,574,066)	87,859	-	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised	4,687,706	1,057,191	256,330	250,581
Income tax expense / (benefit)	-	11,921	-	-

4. Income tax (continued)

(c) Unrecognised temporary differences

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Deferred tax assets				
Tax losses at 30%	1,264,049	1,021,882	1,259,347	1,003,017
Temporary differences at 30%	78,013	56,768	62,263	56,768
Tax losses – foreign subsidiaries (34%)	3,380,761	2,123,775	-	-
Temporary differences at 34%	71,204	3,304	-	
Deferred tax liabilities				
Temporary differences at 30%	(3,359)	(3,998)	(3,359)	(3,998)
Temporary differences at 34%	(3,089,143)	(1,492,756)	-	-
Net deferred tax asset not recognised	1,701,525	1,708,975	1,318,251	1,005,787

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.

The ability of the group to use tax losses in the future is subject to the group entities satisfying the relevant taxation laws applicable at the time of submitting the return.

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

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Current				
Other debtors (i)	44,303	43,893	12,391	17,673
Accrued income	53,272	284,133	-	-
	97,575	328,026	12,391	17,673
Non Current				
Amounts receivable from controlled entities(ii)	-	-	11,847,266	12,265,794
Provision for doubtful debts (iii)	-	-	(10,177,199)	(784,976)
	-	-	1,670,067	11,480,818

(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.

6. Trade and other receivables (continued)

(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 2009.

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

	Consolidated	
	2009	2008
At 1 July	784,976	602,196
Provision for impairment recognised for the year	9,392,223	182,780
	10,177,199	784,976

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	
	2009	2008	2009	2008
	$	$	$	$
Current				
Prepayments/deposits	30,281	25,707	11,198	13,325
Borrowing costs	477,882	144,566	477,882	144,566
	508,163	170,273	489,080	157,891

8. Other financial assets

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
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	2009	2008	2009	2008
		%	%	$	$
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	2009	2008	2009	2008
		%	%	$	$
Grand Gulf Energy Inc	USA	100	100	764,907	764,907
				764,907	764,907

9. Property, plant and equipment

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Plant and equipment				
At cost	14,244	14,244	4,298	4,298
Accumulated amortisation	(11,790)	(9,436)	(2,741)	(1,884)
	2,454	4,808	1,557	2,414

(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	4,808	16,548	2,414	11,442
Additions	-	-	-	-
Disposals	-	(7,826)	-	(7,826)
Depreciation	(2,354)	(3,914)	(857)	(1,202)
Carrying amount at end of year	2,454	4,808	1,557	2,414

10. Exploration expenditure

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Capitalised oil and gas expenditure	12,127,319	11,756,405	-	-
Provision for impairment	(4,751,563)	(1,300,485)	-	-
	7,375,756	10,455,920	-	-
Capitalised oil and gas expenditure				
Carrying amount at beginning of year	10,455,920	6,439,211	-	-
Expenditure during the year	4,732,439	7,063,897	-	-
Disposals	-	(2,477,040)	-	-
Transfer to assets held for sale	(4,528,225)			
Amortisation	(388,367)	(570,146)		
Impairment of capitalised expenditure	(2,896,011)	-	-	-
Carrying amount at end of year	7,375,756	10,455,920	-	-

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. Assets classified as held for sale

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Capitalised oil and gas expenditure	4,528,225	-	-	-
Provision for impairment	(3,368,501)	-	-	-
	1,159,724	-	-	-

GGE finalised the sale of its Le Flore County, Oklahoma interests in July 2009. The sale was effective 1 May 2009, subject to various releases of security needed pursuant to GGE's Facility Agreement with Macquarie Bank.

An impairment loss of $3 million on the re-measurement of the Oklahoma interests to the lower of their carrying amount and fair value, less costs to sell has been recognised in the Profit and Loss account.

12. Trade and other payables

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Current				
Trade creditors (i)	548,257	47,946	58,644	39,446
Other creditors (i)	248,440	1,516,291	52,500	3,777
Amounts payable to controlled entities	-	-	1,174,742	1,174,742
	796,697	1,564,237	1,285,886	1,217,965

(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 26.

13. Provisions

Non-Current				
Provision for future restoration	13,481	41,777	-	-

(a) Reconciliations

Provision for future restoration				
Carrying amount at beginning of year	41,777	52,647	-	-
Additional provisions recognised/recalculated	(28,296)	(10,870)	-	-
Carrying amount at end of year	13,481	41,777	-	-

14. Borrowings

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Secured				
Current				
Working capital loan	3,265,960	-	-	-
Non-current				
Working capital loan	-	670,000	-	-

The working capital loan is financed by Macquarie Bank Limited and is secured by first mortgage over the groups assets. Pursuant to the Facility Agreement, Grand Gulf must maintain Proven Developed Producing Reserves equal to or greater than the amount of its Borrowing Base (currently USD2.5 million which is fully drawn) and Total Proven Reserves of twice its Borrowing Base in order to comply with the terms of the facility. If the Reserves do not fulfil the requirements of the Facility Agreement an Event of Default will have occurred and Macquarie Bank have the right to call the repayment of the facility.

On 17 March 2009, the Reserves Report showed Proven Producing Reserves of USD1.9 million and Total Proved Reserves of USD 12.6 million. Macquarie Bank provided Grand Gulf with a waiver of the events of Default as related to the Proven Producing Reserves until 16 May 2009.

On 4 June 2009, Macquarie agreed to extend its waiver of Events of Default until 31 July 2009 subject to certain milestones as announced through ASX on 28 May 2009. Macquarie was issued 6,000,000 options at $0.005 in consideration of a further USD 300,000 being provided to Grand Gulf.

On 30 July 2009, Macquarie extended its waiver of Events of Default to 15 September on the same terms as the previous waiver.

Information about the Group's and parent entity's exposure to interest rate risk and foreign currency changes is provided in Note 26.

15. Contributed equity

(a) Issued capital

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Ordinary shares, fully paid	25,264,897	25,264,897	27,370,248	27,370,248

(b) Movements in share capital

Company				
Balance at beginning of year	302,856,627	297,856,627	27,370,248	27,072,298
Changes during the year				
Options exercised at 6 cents per share	-	5,000,000	-	300,000
Share issue costs	-	-	-	(2,050)
Balance at end of year	302,856,627	302,856,627	27,370,248	27,370,248

15. 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	31/10/08	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 *	$0.08	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	800,000	-	-	-	800,000
Unlisted options *	$0.10	31/12/10	600,000	-	-	-	600,000
Unlisted options *	$0.12	31/12/10	600,000	-	-	-	600,000
Unlisted options #	$0.04	18/09/12		45,000,000	-	-	45,000,000
Unlisted options #	$0.04	02/12/12		13,775,000	-	-	13,775,000
Unlisted options	$0.04	02/12/12		3,000,000	-	-	3,000,000
Unlisted options #	$0.005	05/06/13		6,000,000	-	-	6,000,000
			100,589,156	67,775,000	-	89,589,156	78,775,000

* Options issued pursuant to the Company's Employee Share Option Plan (ESOP). Refer Note 27 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
45,000,000	$0.04	18/09/12
13,775,000	$0.04	02/12/12
3,000,000	$0.04	02/12/12
6,000,000	$0.005	05/06/13

As at 30 June 2009 the company has on issue 78,775,000 (30 June 2008: 26,125,000) unlisted options over unissued ordinary shares, and nil listed options (30 June 2008: 74,464,156).

The issue price of the options was $nil.

Share Option Reserve

During the period an amount of $29,156 (2008: $255,982) was recognised as an expense and corresponding movement in equity in respect of the fair value of options issued as equity based compensation.

15. 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 26.

16. Reserves

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Foreign currency translation (a)	214,825	(1,067,342)	-	-
Share option reserve (b)	1,394,157	789,195	3,185,938	2,580,977
Option premium reserve (c)	676,800	676,800	676,800	676,800
	2,285,782	398,653	3,862,738	3,257,777

(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	(1,067,342)	(202,892)	-	-
Gain / (loss) on translation of foreign controlled entities	1,282,167	(864,450)	-	-
Balance at end of year	214,825	(1,067,342)	-	-

(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	789,195	533,213	2,580,977	2,324,995
Increase on issue of options (i)	575,806	-	575,805	-
Share based payment expense	29,156	255,982	29,156	255,982
Balance at end of year	1,394,157	789,195	3,185,938	2,580,977

(i) During the 2009 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	676,800	-	676,800	-
Options Rights Issue	-	744,666	-	744,666
Option Issue costs	-	(67,866)	-	(67,866)
Balance at end of year	676,800	676,800	676,800	676,800

17. Accumulated losses

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Balance at beginning of year	(14,568,049)	(13,156,048)	(16,075,974)	(14,932,727)
Net loss attributable to members of the Company	(7,657,440)	(1,412,001)	(10,146,495)	(1,143,247)
Balance at end of year	(22,225,489)	(14,568,049)	(26,222,469)	(16,075,974)

18. 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	257,656	2,412,488	26,037	13,949

The group's and parent entity's exposure to interest rate risk is discussed in note 26.

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	(7,657,440)	(1,412,001)	(10,146,495)	(1,143,247)
Depreciation	2,354	3,915	857	1,203
Impairment and write-offs of oil and gas assets	6,220,370	-	-	-
Amortisation	388,367	570,146	-	-
Write offs of intercompany loans and investments	-	-	9,392,223	182,780
Share based payments	29,156	255,982	29,155	255,982
Loss on disposal of property, plant and equipment	-	6,825	-	6,825
Gain on sale of oil and gas properties	-	(90,851)	-	-
Exchange rate adjustments on balance of cash held in foreign currencies	129,310	(28,677)	-	-
Changes in net assets and liabilities				
(Increase) / decrease in assets:				
Trade and other receivables	420,270	(259,481)	5,281	56,586
Prepayments/borrowing costs	289,071	104,303	293,853	68,065
Capitalised expenditure	(5,994,585)	(6,064,028)	-	-
Increase / (decrease) in liabilities:				
Trade and other creditors	600,743	(237,737)	67,921	(235,057)
Provisions	(88,500)	(4,981)	(49,235)	-
Net cash outflows from operating activities	(5,660,884)	(7,156,585)	(406,440)	(806,863)

19. Expenditure commitments

(a) Capital commitments

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

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
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 2009	Consolidated 2008	Company 2009	Company 2008
Operating leases (non-cancellable)				
Not later than one year	103,734	90,191	103,734	90,191
Later than one year and not later than five years	57,746	137,308	57,746	137,308
	161,480	277,499	161,480	277,499

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

(c) Remuneration commitments

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
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	338,920	285,685	338,920	285,685
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	338,920	285,685	338,920	285,685

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.

20. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2009.

21. Events occurring after balance date

In July 2009, Grand Gulf disposed of its LeFlore County, Oklahoma leases and production interests to pay down debt and has entered into an agreement to sell its 12.5% interests in two wells in Jackson Co, Texas to further reduce its debt.

22. Earnings per share

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

	Consolidated	
	2009	2008
	$	$
Net loss	(7,657,440)	(1,412,001)
Adjustments:	-	-
Losses used in calculating basic earnings per share	(7,657,440)	(1,412,001)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	302,856,627	300,610,052
Effect of dilutive securities		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating basic and diluted earnings per share	302,856,627	300,610,052

The weighted average number of ordinary shares has increased due to the 5,000,000 shares issued in December 2007.

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 2009 the options on issue have no dilutive effect therefore the diluted earnings per share is equal to the basic earnings per share.

23. 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.

23. 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	
	2009	2008	2009	2008
	$	$	$	$
Short-term employee benefits	938,804	823,931	938,804	823,931
Post-employment benefits	-	-	-	-
Share-based payments	68,830	251,174	68,830	251,174
	1,007,634	1,075,105	1,007,634	1,075,105

(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 27 (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

2009

Name	Balance at start of the period No.	Granted during the period No.	Exer. during the period No.	Other changes during the period No.	Bal at the end of the year No.	Remun. options Vested and Exercisable at end of period No.	Remun. options unvested at end of period No.
Directors							
Mr J Trimble	10,053,719	-	-	(10,053,719)	-	-	-
Mr C Morgan	15,600,377	-	-	(15,600,377)	-	-	-
Mr A Boss	2,053,719	-	-	(2,053,719)	-	-	-
Mr S Keenihan	2,366,219	-	-	(2,366,219)	-	-	-
Total	30,074,034	-	-	(30,074,034)	-	-	-

23. Key management personnel disclosures (continued)

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

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

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

2009

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	37,364,815	-	3,869,577	41,234,392
Mr C Morgan	20,582,125	-	1,670,000	22,252,125
Mr A Boss	325,000	-	-	325,000
Mr S Keenihan	1,580,000	-	1,000,000	2,580,000
Total	59,851,940	-	6,539,517	66,391,517

23. Key management personnel disclosures (continued)

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

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

(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 $nil (2008: $938) was paid to Seaspin Pty Limited, of which Mr C Morgan is a director, for sundry office services.

During the 2009 financial year, the Group incurred costs of $8,346 (2008: $79,715) for communication services from Purple Communications, a company related to Mr C Morgan's spouse.

Amounts owing to directors, director-related parties and other related parties at 30 June 2009 and included in trade and sundry creditors were $226,944 (2008: $26,850).

24. Auditor's remuneration

	Consolidated		Company	
	2009	2008	2009	2008
	$	$	$	$
Audit or review of the financial report AUS	50,140	34,658	50,140	34,658
Audit or review of the USA operations	50,575	40,493	12,673	-
	100,715	75,151	62,813	34,658

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

25. Segment information

Geographic segment – primary segment

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

26. 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. The Group 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.

26. 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			
		$	$	$	$	$	$	%
2009								
Financial assets								
Cash	18(a)	257,456	-	-	-	200	257,656	3.2
Trade and other receivables	6	-	-	-	-	97,575	97,575	-
		257,456	-	-	-	97,775	355,231	
Financial liabilities								
Trade creditors and accruals	12	-	-	-	-	796,697	796,697	-
Borrowings	14	-	3,265,960	-	-	-	3,265,960	4.8
		-	3,265,960	-	-	796,697	4,062,657	
2008								
Financial assets								
Cash	18(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	12	-	-	-	-	1,564,237	1,564,237	-
Borrowings	14	-	670,000	-	-	-	670,000	10.0
		-	670,000	-	-	1,564,237	2,234,237	

26. Financial instruments (continued)

(a) Interest rate risk (continued)

		Company						
	Notes	**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**			
		$	**$**	**$**	**$**	**$**	**$**	**%**
2009								
Financial assets								
Cash	18(a)	25,837	-	-	-	200	26,037	4.8
Trade and other receivables	6	-	-	-	-	1,670,067	1,670,067	-
		25,837	-	-	-	1,670,267	1,696,104	
Financial liabilities								
Trade creditors and accruals	12	-	-	-	-	1,285,886	1,285,886	-
		-	-	-	-	1,285,886	1,285,886	
2008								
Financial assets								
Cash	18(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	12	-	-	-	-	1,217,965	1,217,965	-
		-	-	-	-	1,217,965	1,217,965	

(a) Market Risk

(i) Foreign exchange risk

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

26. 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 2009 and June 2008. 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

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 Grand Gulf Energy 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 2009, 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 $11,340 lower/higher (2008: change of 80bps: $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 65. 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 shareholder's funds, plus net debt and amounted to $8,591,150 at 30 June 2009 (2008: $11,765,501).

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.

26. 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	
	2009	**2008**	**2009**	**2008**
Working Capital Facility	3,265,960	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 2009	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	796,697					796,697	796,697
Fixed rate	3,386,338	-	-	-	-	3,386,338	3,265,960
Total non-derivatives	4,183,035	-	-	-	-	4,183,035	4,062,657

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

Company – At 30 June 2009	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	111,144	-	-	-	1,174,742	1,285,886	1,285,886
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	111,144	-	-	-	1,174,742	1,285,886	1,285,886

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

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.

27. 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 – 2009

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	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)	-	-
29 Nov 05	31 Dec 08	$0.08	1,906,250	-	(1,906,250)	-	-
24 Jan 06	30 Sep 09	$0.20	7,491,096	-	(7,491,096)	-	-
11 May 06	31 Dec 08	$0.25	750,000	-	(750,000)	-	-
11 May 06	31 Dec 08	$0.30	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	$0.10	1,000,000	-	-	1,000,000	1,000,000
27 Dec 06	31 Dec 10	$0.08	500,000	-	-	500,000	500,000
31 Jul 07	31 Dec 10	$0.08	800,000	-	-	800,000	800,000
31 Jul 07	31 Dec 10	$0.10	600,000	-	-	600,000	600,000
31 Jul 07	31 Dec 10	$0.12	600,000	-	-	600,000	600,000
Total			16,647,346	-	(12,147,346)	4,500,000	4,500,000
Weighted Average Exercise price			16.3c	n/a	19.0c	8.8c	8.8c

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	16.3c	16.3c	16.3c

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2009 was $ n/a (2008 – $0.06).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.39 years (2008 – 0.92 years).

27. Share Based Payments (continued)

(a) Employee Option Plan (continued)

(b) Fair value of options granted

There were no options granted during the year under the Employee Option Plan.

(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	
	2009	2008	2009	2008
	$	$	$	$
Options issued under employee option plan	8,290	78,044	8,290	78,044
Options issued to directors	20,866	177,938	20,866	177,938
	29,156	255,982	29,156	255,982

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 2008. (refer note 1 (o)) and 3,000,000 options issued to employees during the 2008 financial year.

28. 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 23.

(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 $10,501,362 at balance date (2008: $10,919,891). An amount of $9,245,947 (2008: nil) 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 (2008: $1,345,905). An amount of $931,253 (2008: $784,977) 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 (2008: $1,174,472). 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 (2008: $2,036,939). There were no repayments made during the year. No amount has been provided for against this loan.

29. 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	
	2009	2008	2009	2008
	$	$	$	$
Current Assets				
Receivables	85,183	294,886	-	-
Total Current Assets	85,183	294,886	-	-
Non-Current Assets				
Capitalised oil and gas expenditure	6,179,822	4,180,428	-	-
Total Non-Current Assets	6,179,822	4,180,428	-	-
Total Assets	6,265,005	4,475,314	-	-
Current Liabilities				
Payables	685,553	855,940	-	-
Total Current Liabilities	685,553	885,940	-	-
Total Liabilities	685,553	885,940	-	-

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

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	
	2009	**2008**
Louisiana leased acreage	3.7% - 26.3%	3.7% - 26.3%
Oklahoma leased acreage	5.6% - 24.6%	5.6% - 24.6%
Texas leased acreage	12.5%	12.5%

30. 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 27.

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 2009 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 17 to 25 of the directors' report (as the audited Remuneration Report), for the year ended 30 June 2009, 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, 30 September 2009

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 2009, 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 disclosing entity 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(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with 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. 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.

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.

BDO Kendalls

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 2009 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.*

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

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to the income statements in the financial report which indicates that the group incurred a net loss of $7,657,440 during the year ended 30 June 2009. This condition, along with other matters as set forth in Note 1(v)(ii) indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A of the *Corporations Act 2001.*

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Peter Toll
Director

Signed in Perth, Western Australia
Dated this 30th day of September 2009

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 20 October 2009.

1. Statement of issued capital

a) Distribution of fully paid ordinary shares

Size of Holding			*Number of Shareholders*	*Shares Held*
1	-	1,000	46	13,291
1,001	-	5,000	37	99,195
5,001	-	10,000	55	485,297
10,001	-	100,000	492	20,219,385
100,001	and	Over	331	282,039,459
			961	302,856,627

b) There are 584 shareholders holding unmarketable parcels represented by 16,217,168 shares.

c) 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 for 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	41,234,392 shares
Macquarie Group Ltd	33,018,000 shares
Mr Charles Morgan	22,252,125 shares
Argonaut Capital Ltd	16,138,702 shares

1. Quotation

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

4. Top Twenty Shareholders as at 20 October 2009

The twenty largest shareholders hold 48.25% of the total issued ordinary shares in the Company as at 20 October 2009.

	Name	Number of Shares	% of Issued Shares
1.	Macquarie Bank	33,018,000	10.90
2.	Mr James Trimble	30,000,000	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.	Mr James Moore Trimble	6,226,577	2.06
7.	Argonaut Capital Limited	6,153,125	2.03
8.	Gordon Holdings (QLD) Pty Ltd	5,979,995	1.97
9.	Seaspin Pty Ltd	5,950,000	1.96
10.	Mr James Moore Trimble	5,000,000	1.65
11.	Mr GJ & Mrs JE Rezos	4,944,843	1.63
12.	Falcore Pty Ltd	4,740,500	1.56
13.	Mr John Desmond Murphy	3,350,000	1.11
14.	Toltec Holdings Pty Ltd	3,301,398	1.09
15.	Jindabyne Pty Ltd	3,000,000	0.99
16.	Two Tops Pty Ltd	2,475,941	0.82
17.	Scintilla Strategic Investments Ltd	2,300,000	0.76
18.	Nutsville Pty Ltd	2,165,706	0.72
19.	Accounting Mgt Services	2,000,000	0.66
20.	Mr Glyn Richard Santo Crimp	2,000,000	0.66
		146,120,621	48.25