Grand Gulf Energy Limited

ABN 22 073 653 175

Annual Financial Report

for the financial year ended

30 June 2011

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CORPORATE DIRECTORY

DIRECTORS
Mr Charles Morgan – Executive Chairman
Mr Mark Freeman - Executive Director
Mr James Trimble – Non-Executive Director
Mr Stephen Keenihan – Non-Executive Director
Mr Allan Boss – Non-Executive Director

COMPANY SECRETARY
Mr Mark Freeman

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LETTER FROM CHAIRMAN

Dear Shareholder,

I have pleasure in presenting the Company's Annual Report for 2011. The 2010/2011 financial year has been a tumultuous one for your company. However, I am pleased to report that the company is now in a strong position with the ongoing production from its Dugas & Leblanc discovery and its two June quarter discoveries at the Abita and La Posada prospects. Abita has now been successfully tested and facilities will be built with first production expected in December this year. We are also pleased to report that we have sold our interest in the La Posada Project for US$7.5 million having spent US$1.6 Million on drilling and completing the discovery well.

The financial year began with the knowledge that we finally had a significant discovery at the Dugas & Leblanc #1 well at the Napoleonville Salt Dome Project. However, this was soon overshadowed by the terrible news from the Operator that the well was "flowing uncontrollably to atmosphere", or in other words, that the joint venture had a blow out on its hands. Fortunately there were no injuries sustained in the event and the well soon came under control.

Fortunately, most if not all of the costs of the blowout and its cleanup have and will be covered by insurance. Following the blowout at Dugas & Leblanc #1 the company also participated in two further dry holes at Napoleonville.

This was the low point for Grand Gulf but I am pleased to report that under the stewardship of Executive Director, Mark Freeman, the continued financial support of shareholders, Macquarie Bank and Craig Burton through loans and equity assisted by the same from me due to our faith in the projects that the company is now in a very good position.

During the year the company raised $8.5m and exchanged $3m of debt for equity to remove all loan funding.

More recently the Company completed the sale of its interest in La Posada for US$7.5m. This is a significant funding milestone that has been achieved representing a material cash injection into the Company and monetising an untested development asset.

The Company recently announced the test results of the three bottom (of nine) intervals at Abita, all with substantial and commercial flow rates. Production facilities are being put in place now for Abita with an expectation of production to commence in the December 2011. In addition the Company is participating in two further exploration wells at its Lyons Point and West Klondike prospects.

I refer you to the company's latest presentation which is available at www.grandgulfenergy.com or at www.asx.com.au .

In particular I would like to thank Mark Freeman, our Executive Director for managing the company through the blowout at Dugas & Leblanc and putting it back on a stable footing. I would like to thank KC Whittemore, our principal explorationist, for his work during the year and his recommendations on which prospects we should enter into. In addition I want to thank the rest of our team in Houston and our non-executive directors Stephen Keenihan, Allan Boss and Jim Trimble and our shareholders for their continued support.

Yours faithfully,

Charles W. Morgan.

Charles W. Morgan
Chairman

The Directors of Grand Gulf Energy Limited submit herewith the annual financial report of the Group consisting of Grand Gulf Energy Limited and the entities it controlled at the end of, or during the year ended 30 June 2011 (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
Executive Chairman
Appointed 19 January 2006

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, Nido Petroleum Limited, West Oil N.L. and Fusion Oil & Gas plc.

Mr Morgan also holds the position of Chairman in the following companies: Alcyone Resources Ltd and Kilgore Oil & Gas Ltd.

Mr Mark Freeman
B.com, CA, F.Fin
Executive Director – Appointed 27 October 2010
and Company Secretary - Appointed 22 April 2010

Mr Freeman is a Chartered Accountant and has more than 16 years' experience in corporate finance and the resources industry. He has experience in project acquisitions and management, strategic planning, business development, M&A, asset commercialisation, and project development. Prior experience with Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources Ltd and Matra Petroleum plc.

Former and current directorships in last 3 years – Quest Petroleum NL, Verus Investments Ltd, Golden Gate Petroleum Ltd.

Mr Stephen Keenihan
B.Sce (Hons Geology)
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.

Directorships in last 3 years – Transerv Energy Ltd.

Mr Allan Boss
B. Com
Doctor of Jurisprudence
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 NiSource Inc, a Fortune 500 energy utility.

Former directorships in last 3 years – none.

Mr James Trimble
B. Sce (Engineering)
Non Executive Director
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 is the President and CEO of Denver based PDC Energy Corporation and 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.

Former directorships in last 3 years – none.

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 Group 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 2011, the loss attributable to members of the Group is $5,610,950 (2010: loss $1,544,236).

Review of operations of Grand Gulf Energy Limited consolidated group

Thibodeaux #1, La Posada Prospect, Non Operator 4.75% (4.25% After Project Payout) WI, Vermillion Parish, Louisiana

The Company participated in the drilling and discovery of the La Posada Prospect. The well was drilled to 19,071ft and logged 248ft of pay.

On 23 September 2011 the Company was pleased to announce it had sold its interest for US$7,500,000. The transaction has closed with all funds received on 23 September 2011.

The transaction represented a significant profit on sale of the asset to the Company and enabled a monetising of an untested development asset in difficult capital market conditions.

SL 19706 #1 Abita Prospect, Non-Operator 20% WI (15% APPO) Plaquemines Parish, Louisiana

The well is being operated by Clayton Williams Energy Inc (NASDAQ: CWEI) in Plaquemines Parish, Louisiana. The well was drilled and completed in June 2011 and logged 171ft of net pay in 9 intervals. The Operator has undertaken an initial tri-completion of the three bottom intervals and flow test results are as follows:

Sand	TVD Interval (ft)	Est Net Pay (ft)	Gas (Mcfd)	Oil/Condensate (Bcpd)	Water (Bopd)
29	9,787-9,794	7	2,248	67	38
Upper 30	9,940-9,960	8	2,159	43	24
30	10,024-10,061	30	1,364	29	10

Due to the well being in a wet location, completion of facilities and commencement of production is expected in the December Quarter.

GGE's estimate of the likely resources of this discovery (unaudited) is 7.9 BCFG and 350,000 - 700,000 bbls over 9 intervals, as below:

Sand	TVD Interval (ft)	Est Net Pay (ft)	Hydrocarbon Interp
15	8,685 - 8,710	25	Gas
17	8,912,8,940	23	Gas
18	9,135 - 9,160	12	Oil
Lower 18	9,160 - 9,178	10	Gas/Oil
Stray	9,218 - 9,2136	7	Gas
19	9,465 - 9,502	49	Oil
29	9,787 - 9,794	7	Gas/Condensate
Upper 30	9,940 - 9,960	8	Gas/Condensate
30	10,024 - 10,061	30	Gas/Condensate

The Board is pleased with the successful completion and flow testing of all lower three intervals. Each interval will be put on production individually and produced until depletion sequentially. The Operator's decision to undertake a triple completion provides the JV with the ability to economically open and shut each interval with a wireline, reducing expensive completion workover rig requirements. Although this is not an uncommon exercise for a wet location completion, it is both novel and appropriate for the Abita well. Following depletion of these three intervals a further three intervals will be completed in a similar manner.

Depending on the stabilised flow rates the Joint Venture may drill a development well to accelerate the oil production from the 19 sand.

The JV is also undertaking a technical review of the seismic and subsurface geology to determine the field extension potential for another oil and gas accumulation on the same geologic feature in the fault compartment immediately to the northeast (see map). The JV believes the discovery well crossed a critical fault (prior to penetrating a lower sand package) to add support to the northerly prospect. Objective sands are those found productive in the discovery well and deeper sands produced in Coquille Bay Field to the south. The prospective fault block has similar potential found in the discovery well.

The lower sand package in the discovery fault block was accordingly not tested in the initial well and any future development wells may be designed to penetrate this sand. The lower sand had a pre-drill estimate of 400,000 bbls of oil and is a significant producer in the adjacent field.

The Abita feature is a northern extension to Coquille Bay Field (produced 8 MMBLS & 15 BCFG). The feature is a down thrown drag structure defined by 3D seismic across a shallow syncline from the main field. The well is structurally high to wells that produce to the south across the syncline.

Napoleonville- Dugas & Leblanc #3 Well, Non Operator 39.4% WI

The Dugas & LeBlanc # 3 well produced from the Big Hum Stray "B" sand since July 2011. The Stray "B" sand produced approximately 162 million cubic feet of gas and 1,050 bbl of condensate. The sand has now depleted and as previously advised, once this had happened, the primary reservoir in this well, the "M" oil sand, will now be completed. A rig is due on location mid October 2011.

Following further seismic and analogue interpretational work the Company believes that the M sand may have further updip potential of an additional 10-12 BCF of gas which if confirmed will need to be recovered from either a development well or side track to the D&L#3.

The Company is continuing to work on the Napoleonville Salt Dome Project with a focus on oil prospects which are updip known production.

Pruitt et al #1 Well, Lyons Prospect, Acadia Parish, Louisiana, USA- Non Operators, 5% WI

The Pruitt et al #1, the initial test well for the Lyons Point Prospect was spudded on 13 September 2011 and as at 27 September it was currently drilling ahead at 9,769ft. The well is being operated by Clayton Williams Energy Inc. under a turnkey fixed cost drilling contract with Precision Drilling.

The Lyons Point Prospect will be drilled to a total depth of 16,300 feet. The prospect has a closure of circa 400 acres with a most likely resource potential of 3 MMBC (Million Barrels Condensate) and 60 BCFG (Billion Cubic Feet Gas) with upside potential of 4 MMBC and 80 BCFG.

The Lyons Point Prospect is a seismically defined, upthrown fault bounded structural closure. The objective section is provided by the prolific Oligocene Marginulina Texana (MT) 1, 2, and 3 Sands, which are projected to be together 700 feet thick. The MT sands are productive in several fields in the immediate surrounding area and include the nearby Leleux Field, which has cumulative production of 5 MMBC and 300 BCFG from the MT interval.

West Klondike Prospect, Iberville Parish, Louisiana, 10.5% WI

The Company has acquired a 10% working interest in the West Klondike Prospect which covers an area of 640 acres in Iberville Parish, Louisiana. This prospect will be drilled to a total depth of 10,900ft and is expected to be drilled in October 2011.

The West Klondike Prospect is a fault block closure which has been identified on 3D seismic data and is in close proximity to analogous offset production. The targeted sand sections are the Marg Tex, Lario and Upper and Lower Nod Blan, all of which produce in the sub regional fields. The most likely resource potential is 2 MMBL and 6 BCF gas with un-risked potential of 4.8 MMBL and 17 BCF gas. There is also a larger, separate, high pressure, deeper prospect in the leased area that will require a separate well. The target sands of this deeper feature (Bridas) have recently yielded a significant discovery approximately 2.5km to the NE.

The Company's share of the initial well costs is 14% (~US$450,000) of the total (including entry costs). In a success case the Company's share of completion costs are estimated to be a further US$86,000.

Capital Raisings

- On 29 December 2010 the company issued 140,000,000 shares at 0.6 cents and 140,000,000 free attaching options each to raise $840,000. The options were issued on 16 March 2011.
- In March 2011 the Company issued 1,080,714,198 shares at 0.5 cents each and 540,357,108 free attaching options to raise $5,403,571.
- In March 2011 the Company issued 506,008,829 shares at 0.6 cents each and 253,004,414 free attaching options to convert $3,036,053 of debt to equity.
- In April 2011 the Company issued 364,051,103 shares at 0.5 cents each and 182,025,552 free attaching options to raise $1,820,256.
- In April 2011 the Company issued 85,016,667 shares at 0.6 cents each and 42,508,337 free attaching options to raise $510,100.

As at 30 June 2011 the consolidated cash position was $501,647 (2010: $954,840).

Exploration expenditure during the year was $9.02m (2010: $1.66m).

SUBSEQUENT EVENTS

Fundraisings

During August & September 2011 the Company completed a rights issue of 623,300,999 shares at 0.4 cents each and 311,650,541 free attaching options to raise $2,493,897.

La Posada Sale

On 23 September 2011 the Company announced the sale of its 4.75 WI in La Posada for US$7.5m. These funds have been receipted and the transaction has been completed.

Loans

On 28 June 2011 the Company advised that it had entered into a loan agreement with a company related to Mr Charles Morgan, Seaspin Pty Ltd for the provision of a A$800,000 Loan to fund the Company's short-term working capital obligations whilst completing the Entitlements Offer. The Company has subsequently repaid this loan and outstanding interest at the date of this report.

Dugas & Leblanc #1 Well control, Assumption Parish, Louisiana

Grand Gulf advised on 11 August 2010 that the Operator, Mantle Oil & Gas LLC of the Dugas & Leblanc # 1 well reported that the well was flowing uncontrollably to the atmosphere. The well was brought under control on 24 August 2010.

Since 12 August 2010, the Company has made a series of important announcements on the ASX in relation to efforts to control the blowout of the Dugas & Leblanc #1 Well ("#1 Well") at its Napoleonville Project in Louisiana, United States (U.S.), and the subsequent effects on the Company.

The Company confirms the Operator's insurance has paid out a total of USD$11,000,000, whilst the Company's insurance has paid out ~USD$2,500,000. The current costs in excess of this to the Company's account are estimated at USD$1,100,000 which are expected to be covered by the Company's umbrella policy.

A class action was filed in the U.S. against the Operator of the #1 Well in State Court for damages by certain residents of the Napoleonville area.

On 13 March 2011, the Company, together with a number of other parties, were joined in a new legal action brought about by the landowner and a neighbouring business operating within close proximity to the Company's operations seeking damages relating to the #1 Well event.

On 8 July 2011, the Company, together with a number of other parties, were joined in a new legal action brought about by a separate landowner within close proximity to the Company's operations seeking damages relating to the #1 Well event.

The Company undertakes to vigorously defend this action and any other action that might be brought against it by virtue of its joint venture interest in the Napoleonville Salt Dome Project. The Board is mindful of its obligations to investors and will immediately update ASX as and when more information becomes available.

The company currently believes that insurance will substantially cover the costs of the #1 Well clean up operations and any court cases or settlements that occur. The Company considers a potential outflow for a possible cost to it, net of insurance, of US$1 million If the insurance does not cover these costs associated with the environmental clean-up, and/or current or future class actions result in an adverse finding against the Company, this would have a material adverse effect on the Company and could adversely affect the value of Shares held in the Company.

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 Group 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 Group 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 Group.

ENVIRONMENTAL REGULATION

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 1,469,545,952 listed options and 183,775,000 unlisted options (2010: 183,775,000). Refer to note 13 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 26 of the financial statements. There were no shares issued on the exercise of options during the year.

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

Securities

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:

	Ordinary Shares	**Listed Options**	**Unlisted Options***
Mr C Morgan	746,259,765	333,521 647	-
Mr J Trimble	131,573,189	10,949 448	-
Mr M Freeman	36,278,431	8,139,216	10,000,000
Mr S Keenihan	19,586,143	2,713,072	-
Mr A Boss	12,408,600	2,068 100	-

* Mr Freeman's options are exercisable at 0.9c each on or before 15 March 2014

REMUNERATION REPORT (Audited)

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

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

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

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

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and Executive Officers. The Board has created a separate Remuneration Committee comprised of the Non-Executive Directors to assist it with deliberations. 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 remuneration 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 Group.

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 Executive 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 Mark Freeman Executive Director
- Agreement commenced 27 October 2010.
- Base salary, inclusive of superannuation, for the year ended 30 June 2011 of $190,000 and a bonus of $100,000 is payable for extra-ordinary services provided during the year in respect of the Company's restructure and new investments strategy and success. The remuneration committee has increased Mr Freeman's fees to $260,000 per annum effective 1 July 2011.
- The contract may be terminated by either party with three months notice.

C. Details of Remuneration (audited)

Details of the remuneration of the directors and the key management personnel of Grand Gulf Energy Limited and the Grand Gulf Energy Limited consolidated group are set out in the following tables. The key management personnel and specified executives of Grand Gulf Energy Limited and the Grand Gulf Energy Limited consolidated group during the year ended 30 June 2011 includes the following directors and executives:

- Mr C Morgan (Executive Chairman)
- Mr M Freeman (Executive Director (appointed 27/10/2010 and Company Secretary Appointed 22 April 2010)
- Mr J Trimble (Non-Executive Director)
- Mr A Boss (Non-Executive Director)
- Mr S Keenihan (Non-Executive Director)

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

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

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

2011

	Short term benefits		Post-employment	Equity	Equity	Total	Remuner-ation relating to Options	Remun-eration relating to shares
	Salary and fees	Bonus	Super-annuation	Options	Shares			
	$	$	$		$	$	%	%
Directors								
Mr C Morgan	42,000	-	-	-	-	42,000	-	-
Mr J Trimble	147,673	-	-	-	-	147,673	-	-
Mr S Keenihan	40,909	-	-	-	-	40,909	-	-
Mr A Boss	53,235	-	-	-	-	53,235	-	-
Mr M Freeman	190,000	100,000	-	3,520	-	293,520	1.19	-
Total Directors	473,817	100,000	-	3,520	-	577,337	-	-

* No performance equity settled securities were issued during the year. Mr Freeman was issued securities in the previous year and the expense of which is partially expensed in the current financial year.

2010

	Short term benefits		Post-employment	Equity	Equity	Total	Remuner-ation relating to Options	Remun-eration relating to shares
	Salary and fees	Bonus	Super-annuation	Options	Shares			
	$	$	$		$	$	%	%
Directors								
Mr C Morgan	21,000	-	-	-	42,000	63,000	-	66.67
Mr J Trimble	166,064	-	-	-	137,384	303,448	-	45.27
Mr S Keenihan	22,500	-	-	-	22,500	45,000	-	50.00
Mr A Boss	19,889	-	-	-	19,056	38,945	-	48.93
Mr M Freeman	40,000	-	-	520	-	40,520	1.28	-
Mr M Pitts (i)	56,730	-	-	-	16,250	72,980	-	22.27
Total Directors	326,183	-	-	520	237,190	563,893		

(i) Mr M Pitts' consulting entity Endeavour Corporate was issued with 1,625,000 shares at 1 cent each on 11 June 2010 in satisfaction of consulting fees in the value of $16,250.

E. Additional Information

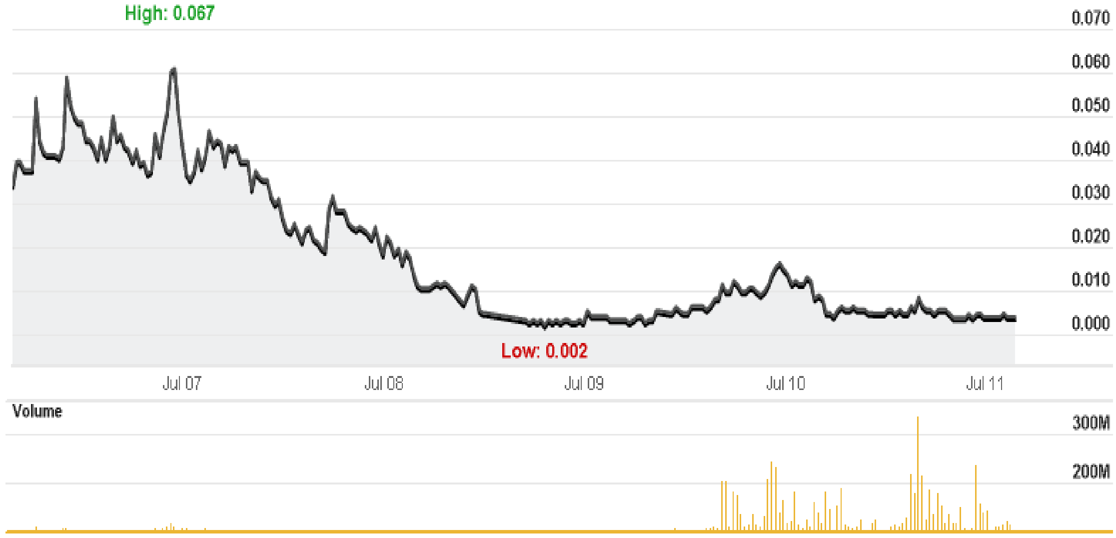
Options

There were no options granted by the Board under the Grand Gulf Energy Limited Employee Share Option Plan in the year.

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.

Share price over the last 5 years cents



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 issued during the year ended 30 June 2011 on the exercise of options granted under the Grand Gulf Energy Limited Employee Option Plan. No amounts are unpaid on any of the shares.

Unissued ordinary shares under option at the date of this report are as follows:

Expiry date	Issue price of Shares	Number under option
18/09/12	$0.04	45,000,000
02/12/12	$0.04	16,775,000
05/06/13	$0.005	6,000,000
24/11/13	$0.005	1,000,000
15/03/14	$0.009	40,000,000
06/05/14	$0.009	75,000,000
30/6/2013	$0.015	1,469,545,952

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 held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Grand Gulf Energy Limited

	Board of directors	
	Held	**Attended**
Mr J Trimble	5	5
Mr C Morgan	5	5
Mr A Boss	5	5
Mr S Keenihan	5	5
Mr M Freeman	5	5

NON-AUDIT SERVICES

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

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 2011, and signed in accordance with a resolution of the Directors.

Mr Mark Freeman
Director

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2011

The Directors
Grand Gulf Energy Limited
Level 21 Allendale Square
77 St Georges Terrace
PERTH WA 6000

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 2011, 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

BDO Audit (WA) Pty Ltd
Perth, Western Australia

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated 2011 $	2010 $
Revenue from continuing operations	2	648,389	78,050
Other income	3(a)	20,453	120,212
Cost of Sales	3(b)	(283,614)	-
Interest Income	3(a)	6,464	8,182
Corporate office expenses		(66,350)	(203,991)
Employee benefits expense		(628,694)	(487,955)
Amortisation of oil and gas capitalised expenditure	9	(364,775)	(148,060)
Impairment of capitalised oil and gas expenditure	9	(3,753,012)	-
Professional and statutory fees		(143,461)	(337,368)
Borrowing Expenses	3(b)	(611,463)	(87,398)
Depreciation	3(b)	(723)	(1,731)
Other expenses		(434,164)	(484,178)
Loss before income tax		(5,610,950)	(1,544,237)
Income tax (expense)/ benefit	4	-	-
Loss from continuing operations		(5,610,950)	(1,544, 237)
Net loss for the year	16	(5,610,950)	(1,544,237)
Foreign currency translation loss		(1,542,107)	(181,373)
Total comprehensive loss for the year		(7,153,057)	(1,725,610)
Loss per share			
Basic Loss per Share (cents per share)	21	(0.35)	(0.32)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Notes	Consolidated	
		2011	**2010**
		$	**$**
ASSETS			
Current Assets			
Cash and cash equivalents	16(a)	501,647	954,840
Trade and other receivables	6	211,013	165,194
Insurance Claim Receivable	6	1,496,974	-
Other assets	7	158,441	15,057
Total Current Assets		2,368,075	1,135,091
Non-Current Assets			
Property, plant and equipment	8	1,999	723
Exploration expenditure	9	11,638,652	8,525,736
Total Non-Current Assets		11,640,651	8,526,459
Total Assets		14,008,726	9,661,550
LIABILITIES			
Current Liabilities			
Trade and other payables	10	2,266,745	597,231
Borrowings	12	714,056	1,886,544
Total Current Liabilities		2,980,801	2,483,775
Non-Current Liabilities			
Provisions	11	96,305	26,440
Interest bearing borrowings	12	-	189,101
Total Non-Current Liabilities		96,305	215,541
Total Liabilities		3,077,106	2,699,316
Net Assets		10,931,620	6,962,234
EQUITY			
Contributed equity	13	39,678,355	28,604,313
Reserves	14	633,941	2,127,647
Accumulated losses	15	(29,380,676)	(23,769,726)
Total Equity		10,931,620	6,962,234

The above consolidated statement of financial position should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2011

	Consolidated					
	Contributed Equity	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	$	$	$	$	$	$
Balance at 1 July 2010	28,604,313	33,452	1,417,395	676,800	(23,769,726)	6,962,234
Loss attributable to members of the parent entity	-	-	-	-	(5,610,950)	(5,610,950)
Foreign currency translation adjustment	-	(1,542,107)	-	-	-	(1,542,107)
Total comprehensive income for the year	-	(1, 542,107)	-	-	(5,610,950)	(7,153,057)
Shares issued, net of issue costs	11,074,042	-	-	-	-	11,074,042
Share options issued	-	-	48,401	-	-	48,401
Balance at 30 June 2011	39,678,355	(1, 508,655)	1,465,796	676,800	(29,380,676)	10,931,620
Balance at 1 July 2009	25,264,897	214,825	1,394,157	676,800	(22,225,489)	5,325,190
Loss attributable to members of the parent entity	-	-	-	-	(1,544,237)	(1,544,237)
Foreign currency translation adjustment	-	(181,373)	-	-	-	(181,373)
Total comprehensive income for the year	-	(181,373)	-	-	(1,544,237)	(1,725,610)
Shares issued, net of issue costs	3,339,416	-	-	-	-	3,339,416
Share options issued	-	-	23,238	-	-	23,238
Balance at 30 June 2010	28,604,313	33,452	1,417,395	676,800	(23,769,726)	6,962,234

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Receipts from customers		383,081	132,000
Payments to suppliers and employees		(373,253)	(427,098)
Interest received		6,464	7,385
Interest paid		(329,821)	(96,473)
Net cash (outflow) from operating activities	16(b)	(313,529)	(384,186)
Cash flows from investing activities			
Payments for exploration and evaluation		(8,611,248)	(2,329,989)
Payments for Production		(62,812)	-
Insurance prepayment		(551,000)	-
Acquisition of project assets		(27,652)	(44,330)
Proceeds on sale of exploration assets		-	1,252,403
Acquisition of other assets		-	(7,548)
Net cash (outflows) from investing activities		(9,252,712)	(1,129,464)
Cash flows from financing activities			
Proceeds from loans		4,685,200	361,000
Repayment of loans		(3,645,914)	(1,085,813)
Proceeds from issue of ordinary shares and other equity securities		7,985,194	1,803,043
Proceeds received in advance of placement being settled		-	978,000
Net cash inflow from financing activities		9,024,480	2,056,230
Net increase / (decrease) in cash and cash equivalents		(541,761)	542,580
Cash and cash equivalents at the beginning of the financial year		954,840	257,656
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		88,568	154,604
Cash and cash equivalents at the end of the financial year	16(a)	501,647	954,840

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes to the financial statements.

1. Summary of Significant Accounting Policies

REPORTING ENTITY

Grand Gulf Energy Ltd (the 'Parent Entity') is a company listed on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia. The consolidated financial statements of the Group for the financial year ended 30 June 2011 comprises the Parent Entity and its subsidiaries (together referred to as the 'Group').

The financial statements were authorised for issue by the Board of directors on 30 September 2011.

BASIS OF PREPARATION

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial statements of the Group also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

(b) Principles of Consolidation

A Controlled Entity is any entity Grand Gulf Energy Ltd has the power to control the financial and operating policies so as to obtain benefits from its activities.

All Controlled Entities have a June financial year-end. All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity. Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(c) Basis of measurement

The financial statements are prepared on the historical cost basis.

(d) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Parent entity's functional currency. The functional currency of the Company's foreign subsidiaries is US dollars. The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates.

(e) Use of estimates and judgments

In preparing these financial statements the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration, evaluation and development expenditure (Oil & Gas Properties)

The Group's accounting policy for exploration, evaluation and development is set out at note 1(i). Application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves exist. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, management conclude that it is unlikely that capitalised expenditure will be recovered by future exploitation or sale, the relevant capitalised amount will be written off to profit or loss. As at 30 June 2011 the carrying amount of Oil & Gas Properties is $11,638,652 (2010: $8,525,736).

Recoverability of Insurance receivable

As disclosed in Note 1 (f), the group has incurred costs in relation to the well blowout of the Dugas & Leblanc #1 well. The group has recognised an insurance claim receivable of $1,496,974 (2010: Nil) in relation to this matter as management consider this balance to be receivable, however this cannot be guaranteed.

Critical accounting estimates

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted.

Rehabilitation obligations
The Group estimates its share of the future removal and remediation costs of oil and gas platforms, production facilities, wells and pipelines at the time of acquisition or installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of remediation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of provision for rehabilitation refer to note 1(i). As at 30 June 2011 rehabilitation obligations have a carrying value of $96,305 (2010: $26,440).

Impairment of Oil and Gas Properties
In the absence of readily available market prices, the recoverable amounts of assets are determined using estimates of the present value of future cash flows using asset-specific discount rates. For oil & gas properties, these estimates are based on assumptions concerning reserves, future production profiles and costs. As at 30 June 2011, the carrying value of oil & gas properties is $11,638,652 (2010: $8,525,736).

(f) Going concern
The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities recognised in the financial statements in the normal course of business and at their carrying amounts. The Group incurred a loss of $5,610,950 for the year ended 30 June 2011 (2010: $1,544,236).

The net current working capital deficiency of the Group at 30 June 2011 was $612,726 (2010: $1,348,684) and the net decrease in cash held during the year was $453,193 (2010: an increase of $697,183).

Grand Gulf advised on 11 August 2010 that the Operator, Mantle Oil & Gas LLC of the Dugas & Leblanc # 1 well reported that the well was flowing uncontrollably to the atmosphere. The well was brought under control on 24 August 2010.

Since 12 August 2010, the Company has made a series of important announcements on the ASX in relation to efforts to control the blowout of the Dugas & Leblanc #1 Well ("#1 Well") at its Napoleonville Project in Louisiana, United States (U.S.), and the subsequent effects on the Company.

The Company confirms the Operator's insurance has paid out a total of USD$11,000,000, whilst the Company's insurance has paid out ~USD$2,500,000. The current costs in excess of this to the Company's account are estimated at USD$1,100,000 which are expected to be covered by the Company's umbrella policy.

A class action was filed in the U.S. against the Operator of the #1 Well in State Court for damages by certain residents of the Napoleonville area.

On 13 March 2011, the Company, together with a number of other parties, were joined in a new legal action brought about by the landowner and a neighbouring business operating within close proximity to the Company's operations seeking damages relating to the #1 Well event.

On 8 July 2011, the Company, together with a number of other parties, were joined in a new legal action brought about by a separate landowner within close proximity to the Company's operations seeking damages relating to the #1 Well event.

The Company undertakes to vigorously defend this action and any other action that might be brought against it by virtue of its joint venture interest in the Napoleonville Salt Dome Project. The Board is mindful of its obligations to investors and will immediately update ASX as and when more information becomes available.

The company currently believes that insurance will substantially cover the costs of the #1 Well clean up operations and any court cases or settlements that occur. The Company considers a potential outflow for a possible cost to it, net of insurance, of US$1 million. If the insurance does not cover these costs associated with the environmental clean-up, and/or current or future class actions result in an adverse finding against the Company, this would have a material adverse effect on the Company and could adversely affect the value of Shares held in the Company.

Notwithstanding these matters, management and the Directors are satisfied the Group can continue on a going concern basis after having regard to the following mitigating factors:

- The Company completed a $2.5m fully underwritten right issue in August 2011.
- The Company sold its 4.75% WI in La Posada on 23 September 2011 for US$7.5m, with the funds received that day.

(g) Income Tax
The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the profit or loss statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(h) Property, Plant and Equipment
Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are 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 which 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.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation
The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the Group 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 major categories of assets are depreciated as follows:

- Oil and gas properties are amortised over the useful lives of the asset on a unit of production basis once a reserve has been established.

- Motor Vehicles are depreciated based on diminishing value at 22.5%.
- Plant and equipment and drilling parts are depreciated based on diminishing value at 25% to 40%.
- Office equipment is depreciated based on diminishing value at 25% to 40%.
- Currently there are no buildings owned by the Consolidated Entity.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 or losses are included in profit or loss.

(i) Non-operator interests in oil & gas properties

Exploration & evaluation expenditure

The Group's accounting policy for the cost of exploring and of evaluating discoveries is based on the "successful efforts" method.

This approach is strongly linked to the Group's oil and gas reserves determination and reporting process and is considered to most fairly reflect the results of the Group's exploration and evaluation activity because only assets with demonstrable value are carried on the statement of financial position.

Once a decision has been made to develop an oil or gas prospect, accumulated exploration and evaluation costs for that prospect are transferred from Deferred Exploration, Evaluation to Development Projects. Once production commences capitalised costs associated with the producing well are transferred to Oil and Gas Properties and are amortised or depreciated over the useful life of the asset.

This method allows the costs of discovery, evaluation and development of a prospect to be aggregated on the statement of financial position and matched against the benefits derived from production once this commences.

Costs

Exploration and evaluation expenditure is accounted for in accordance with the successful efforts method.

All other exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are charged as expenses as incurred except where:

- the expenditure relates to an area of interest that, at reporting date, no assessment of the existence of economically recoverable reserves has been made; or
- where there exists an economically recoverable reserve and it is expected that the capitalised expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

Areas of interest are recognised at the field level. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are initially capitalised. Each area of interest is reviewed at least bi-annually to determine whether economic quantities of reserves exist or whether further exploration and evaluation work is required to support the continued carry forward of capitalised costs.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons. To the extent it is considered that the relevant expenditure will not be recovered, it is immediately expensed.

Transfer to development projects

Upon a decision being made to commercially develop an area of interest, accumulated expenditure for the area of interest is transferred to Oil & Gas Properties and amortised or depreciated over the useful life of the project.

Producing projects

Exploration, evaluation and development costs are initially capitalised as deferred exploration, evaluation and development expenditure and upon commencement of commercial operations are transferred to Oil & Gas Properties. Operating costs of projects in commercial production are expensed as incurred.

Amortisation

Upon commencement of production, the Group amortises the accumulated costs for the relevant area of interest over the life of the area according to the rate of depletion of the economically recoverable quantities of reserves. Estimates of recoverable reserve quantities include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Amortisation charged for the year to 30 June 2011 was $364,775 (2010: $148,060).

Future restoration costs
The Group's aim is to avoid or minimise environmental impact resulting from its operations. Work scope and cost estimates for restoration are reviewed annually and updated at least every three years.

Provision is made in the statement of financial position for restoration of operating locations. The estimated costs are capitalised as part of the cost of the related project where recognition occurs upon acquisition of an interest in the operating locations. The costs are then recognised as an expense on a units of production basis during the production phase of the project.

The costs are based on the latest estimated future costs, determined on a discounted basis, which are re-assessed regularly and exclude any allowance for potential changes in technology or material changes in legislative requirements.

The Group accounts for changes in cost estimates on a prospective basis.

(j) Financial Instruments
Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Trade and Other Receivables
Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. Impairment of receivables are recognised in profit and loss statement.

(k) Impairment of Assets
At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit and loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Foreign Currency Transactions and Balances
Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the

date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit and loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the in the profit and loss statement.

Group companies
The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit and loss in the period in which the operation is disposed.

(m) Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the obligation can be reliably estimated.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

Provision for restoration and rehabilitation
Provision is made in the statement of financial position for restoration of operating locations. The estimated restoration and rehabilitation costs are initially recognised as part of the capitalised cost of the relevant project which gave rise to the future obligation. During the production phase of the project the capitalised restoration costs is amortised using the units of production method. Any actual costs incurred by the Group are allocated against the provision.

The provision for restoration and rehabilitation are based on the latest estimated future costs, determined on a discounted basis, which are re-assessed regularly and exclude any allowance for potential changes in technology or material changes in legislative requirements.

(n) Cash and Cash Equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(o) Revenue
(i) Sale of goods
Revenue from the sale of goods and disposal of other assets is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods.

(ii) Other revenue
Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Service income
Revenue from the provision of services is recognised when the Group has a legally enforceable right to receive payment for services rendered.

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

(p) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Trade and Other Creditors
These amounts represent liabilities for goods and services provided to the Group 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. They are recognised initially at fair value and subsequently at amortised cost.

(r) Dividends
Provision is made for the amount of any dividend declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at reporting date.

(s) Options
The fair value of options in the shares of the company issued to directors and other parties is recognised as an expense in the financial statements in relation to the granting of these options.

(t) Employee Benefits
(i) Wages, salaries and annual leave
Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised 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.

(ii) Employee benefits payable later than one year
Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(iii) Superannuation
Contributions are made by the Group to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

(iv) Employee benefit on costs
Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(v) Options
The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

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

(u) Earnings Per Share
(i) Basic earnings per share
Basic earnings per share is determined by dividing the net profit after income tax attributable to members 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.

(ii) Diluted earnings per share
Diluted earnings per share 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.

(v) Fair Value Estimation

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

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(w) Australian Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011). Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010, introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.

- AASB 10 Consolidated Financial Statements (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to the special purpose entities. The Company is continuing to assess the impact of the standard.

- AASB 11 Joint Arrangements (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. The Company is continuing to assess the impact of the standard.

- AASB 13 Fair Value Measurement (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the balance sheet or disclosed in the notes to the financial statements. The Company is continuing to assess the impact of the standard.

- AASB 2011-9 Presentation of Financial Statements (effective for annual reporting periods commencing on or after 1 July 2013). AASB 101, amended in June 2011, introduces amendments to align the presentation items of other comprehensive income with US GAAP. The Company will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the statement of comprehensive income. However, there will be no impact on any of the amounts recognised in the financial statements.

- AASB 1054 Australian Additional Disclosures (effective for annual reporting periods beginning on or after 1 July 2011). AASB 1054, issued in May 2011, moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of Trans-Tasman Convergence Project. AASB 1054 Australian Additional Disclosures removes the requirement to disclose each class of capital commitments contracted for at the end of the reporting period (other than commitments for the supply of inventories). When the standard is adopted for the first time for the financial year ending 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is continuing to assess its full impact.

- Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011). In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Company will apply the amended standard from 1 July 2011. When the amendments are applied, The Company will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Company is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

- AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012). In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any significant impact on The Company's financial statements. The Company intends to apply the amendment from 1 July 2012.

- AASB 119 - Elimination of the 'corridor' approach for deferring gains/losses for defined benefit plans, actuarial gains/losses on remeasuring the defined benefit plan obligation/asset to be recognised in OCI rather than in profit or loss, and cannot be reclassified in subsequent periods, subtle amendments to timing for recognition of liabilities for termination benefits, and employee benefits <u>expected to be settled</u> (as opposed to <u>due to settled</u> under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability. This standard has no impact as there are no annual leave provision amounts that are non-current. The Company will apply this from 1 July 2013.

(x) Segment reporting

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Board of Directors.

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision makers.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

(y) Parent entity financial information

The financial information for the parent entity, Grand Gulf Energy Ltd, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investment in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associated and joint venture entities are accounted for at cost in the financial statements of Grand Gulf Energy Ltd. Dividends received from associated are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Tax consolidation legislation
Grand Gulf Energy Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Grand Gulf Energy Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Grand Gulf Energy Ltd also recognised the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Grand Gulf Energy Ltd for any current tax payable assumed and are compensated by Grand Gulf Energy Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Grand Gulf Energy Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amount recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligation to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidation entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Financial guarantees
Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment. No such guarantees have been provided at this time.

(z) 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 proceeds.

(aa) Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

2. Revenue

	Consolidated	
	2011	**2010**
	$	**$**
Revenues		
Sale of oil and gas	648,389	78,050
Total revenues from ordinary activities	648,389	78,050

3. Loss from operations

(a) Other income

Net gain on sale of non-current assets	20,453	120,212
Interest	6,464	8,182
	26,917	128,394

(b) Expenses

Loss before income tax includes the following specific expenses:

Cost of sales		
Operating Costs	143,545	-
Royalties	140,069	-
	283,614	-
Depreciation		
Plant and equipment	723	1,731
Total depreciation	723	1,731
Rental expense relating to operating leases		
Minimum lease payments	62,064	83,303
Total rental expense relating to operating leases	62,064	83,303
Foreign exchange gains and losses		
Net foreign exchange losses	262,859	57,959
Finance Costs		
Borrowing expense	444,503	-
Interest expense	166,960	87,398
Total Finance Costs	611,463	87,398

4. Income tax

(a) Income tax expense

	Consolidated 2011 $	Consolidated 2010 $
Current tax	-	-
Deferred tax	-	-
Under (over) provided in prior years	-	-
	-	-

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

	Consolidated 2011 $	Consolidated 2010 $
Loss from ordinary activities before income tax expense	(5,610,950)	(1,544,236)
Prima facie tax benefit on loss from ordinary activities at 30% (2010: 30%)	(1,683,285)	(463,271)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	250,987	106,138
	(1,432,298)	(357,133)
Movements in deferred taxes in relation to temporary differences	1,319,393	87,452
Difference in overseas tax rates	(1,381)	(32,032)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	114,286	301,712
Income tax expense / (benefit)	-	-

(c) Unrecognised temporary differences

	Consolidated 2011 $	Consolidated 2010 $
Deferred tax assets		
Tax losses at 30%	1,450,554	1,348,006
Temporary differences at 30%	131,239	26,089
Tax losses – foreign subsidiaries (34%)	4,830,376	4,287,842
Temporary differences at 34%	-	-
Deferred tax liabilities		
Temporary differences at 30%	-	-
Temporary differences at 34%	(1,763,180)	(2,898,750)
Net deferred tax asset not recognised	4,648,989	2,763,187

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 Group does not have any franking credits available for current or future years as the Group is not in a tax paying position.

6. Trade and other receivables

	Consolidated 2011 $	Consolidated 2010 $
Current		
Receivables (i)	158,092	165,194
Insurance Claim (ii)	1,496,974	-
Accrued income	52,921	-
	1,707,987	165,194

(i) Other receivables include amounts outstanding for goods & services tax (GST). These amounts are non-interest bearing and have repayment terms applicable under the relevant government authorities. At the date of this report, there are no receivables considered past due or impaired.

(ii) The Company has subsequent to year end received a payment of US$413,507 (AUD$396,966) in respect of the above claim. The Company expects recovery of the remaining US$1,083,467, however, this can't be guaranteed.

(iii) Refer to note 25 for the Group's financial risk management policies.

7. Other assets

	2011	2010
Current		
Prepayments/deposits	158,441	15,057
	158,441	15,057

8. Property, plant and equipment

	2011	2010
Plant and equipment		
At cost	16,244	14,244
Accumulated amortisation	(14,245)	(13,521)
	1,999	723

(a) Reconciliations

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

	2011	2010
Plant and equipment		
Carrying amount at beginning of year	723	2,454
Additions	1,999	-
Disposals	-	-
Depreciation	(723)	(1,731)
Carrying amount at end of year	1,999	723

9. Exploration expenditure

	Consolidated	
	2011	2010
	$	$
Capitalised oil and gas expenditure	20,673,382	13,442,679
Impairment/amortisation	(9,034,730)	(4,916,943)
Capitalised oil and gas expenditure	11,638,652	8,525,736
Capitalised oil and gas expenditure		
Carrying amount at beginning of year	8,525,736	7,375,756
Expenditure during the year	9,020,438	1,655,423
Disposals	-	(588,241)
Acquisitions	195,063	-
Foreign exchange variation	(1,984,798)	230,858
Amortisation	(364,775)	(148,060)
Impairment of capitalised expenditure	(3,753,012)	-
Carrying amount at end of year	11,638,652	8,525,736

The ultimate recoupment of costs carried forward for capitalised expenditure is dependent on either the sale or successful development and commercial exploitation of lease acreage. 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. Impairments of capitalised expenditure relate to costs associated with Sagers #1 and Clifton Lands #1 which were dry holes and in addition to costs associated with the D&L#1 and D&L#2 wells which were required to be plugged and abandoned during the year. As D&L#2 was only producing from an exploratory interval during the period no costs were transferred to development costs.

10. Trade and other payables

Current		
Trade creditors	2,266,745	587,108
Other creditors	-	10,123
	2,266,745	597,231

Risk exposure: Information about the Group's exposure to foreign exchange risk is provided in note 25.

Included in trade creditors is an insurance recovery estimated as US$1,496,975. Accordingly net payables are $859,671. Insurers have paid US$413,507 subsequent to year end and the Company expects recovery of the remaining ~US$1,083,467, however, this can't be guaranteed.

11. Provisions

Non-Current		
Provision for future restoration	96,305	26,440

(a) Reconciliations

Provision for future restoration		
Carrying amount at beginning of year	26,440	13,481
Additional provisions recognised/recalculated	69,865	12,959
Carrying amount at end of year	96,305	26,440

12. Borrowings

	Consolidated 2011 $	2010 $
Current		
Working capital loan	714,056	1,886,544
Non-current		
Working capital loan	-	189,101

Seaspin Working Capital Facility
On 24 June 2011 the Company advised that it had entered into a loan agreement with a company related to Mr Charles Morgan, Seaspin Pty Ltd for the provision of a A$800,000 Loan to fund the Company's short-term working capital obligations whilst completing the Entitlements Offer. The loan and outstanding interest was subsequently repaid in August and September 2011.

Macquarie Bank Facility
The Macquarie Bank Facility was closed via partial repayment and the issue of 214,342,162 shares at 0.6 cents each and 107,171,081 free attaching options (valued at $1,286,053) during March 2011.

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

13. Contributed equity

(a) Issued and paid up share capital

	2011 Number of Shares	2011 $	2010 Number of Shares	2010 $
Balance at the beginning of the year	940,714,198	28,604,313	302,856,627	25,264,897
Equity issues for cash	1,669,781,968	8,573,927	592,044,600	2,962,473
Equity issues to directors in lieu of fees	-	-	44,187,971	441,880
Equity issues in lieu of consulting charges	-	-	1,625,000	16,250
Equity issues in lieu of debt repayment	506,008,829	3,036,053	-	-
Less: transaction costs		(535,938)		(81,187)
Balance at the end of the year	**3,116,504,995**	**39,678,355**	**940,714,198**	**28,604,313**

(b) Share options

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
1,157,895,411	$0.015	30/06/13

As at 30 June 2011 the Company has on issue 1,341,670,411 (30 June 2010:183,775,000) options over unissued ordinary shares.

The issue price of the options was $nil.

13. Contributed equity (continued)

Share Options

During the year an amount of $48,401 (2010: $23,238) was recognised as an expense and corresponding movement in equity in respect of the fair value of options issued as equity based compensation.

2011	Exercise 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	$0.015	30/6/13	-	1,157,895,411	-	-	1,157,895,411
Unlisted options	$0.04	18/09/12	45,000,000	-	-	-	45,000,000
Unlisted options #	$0.04	26/11/12	13,775,000	-	-	-	13,775,000
Unlisted options	$0.04	26/11/12	3,000,000	-	-	-	3,000,000
Unlisted options #	$0.005	05/06/13	6,000,000	-	-	-	6,000,000
Unlisted options #	$0.005	24/11/13	1,000,000	-	-	-	1,000,000
Unlisted options +	$0.009	15/03/14	25,000,000	-	-	-	25,000,000
Unlisted options *	$0.009	15/03/14	15,000,000	-	-	-	15,000,000
Unlisted options#	$0.009	06/05/14	75,000,000	-	-	-	75,000,000
			183,775,000	1,157,895,411	-	-	1,341,670,411

* Options issued consultants. Refer Note 26 for details.
\# Issued to Macquarie Bank for working capital facility.
\+ Issued to Skye Equity Pty Ltd for as part of convertible loan agreement of $225,000 to meet is short term working capital requirement.

(c) 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. Refer note 25 for details of the Group's capital management policy.

14. Reserves

	Consolidated 2011 $	Consolidated 2010 $
Foreign currency translation (a)	(1,508,655)	33,452
Share option reserve (b)	1,465,796	1,417,395
Option premium reserve (c)	676,800	676,800
	633,941	2,127,647

(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.

	2011	2010
Balance at beginning of year	33,452	214,825
Gain / (loss) on translation of foreign controlled entities	(1,542,107)	(181,373)
Balance at end of year	(1,508,655)	33,452

(b) Share option reserve

The share option reserve is used to recognise the value of options issued to employees, Directors, consultants, and external finance companies.

	2011	2010
Balance at beginning of year	1,417,395	1,394,157
Share based payment expense	48,401	23,238
Balance at end of year	1,465,796	1,417,395

14. Reserves (continued)

(ii) in 2010 the Company issued 115,000,000 options see note 13 above for breakdown.

(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
Balance at end of year	676,800	676,800

15. Accumulated losses

	Consolidated	
	2011 $	2010 $
Balance at beginning of year	(23,769,726)	(22,225,489)
Net loss attributable to members of the Company	(5,610,950)	(1,544,237)
Balance at end of year	(29,380,676)	(23,769,726)

16. 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	501,647	954,840

The group's exposure to interest rate risk is discussed in note 25. The above figures are reconciled to cash at the end of the financial year as shown in the Statement of cash flows as follows:

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

Loss for the year	(5,610,950)	(1,544,236)
Depreciation	723	1,731
Impairment and write-off of oil and gas assets	3,753,012	(120,212)
Amortisation	364,775	148,060
Share based payments	48,401	23,238
Borrowing costs	444,503	223,603
Exchange rate adjustments on balance of cash held in foreign currencies	262,859	463,191
Changes in net assets and liabilities		
(Increase) / decrease in assets:		
Trade and other receivables	3,227	(67,619)
Capitalised expenditure	319,872	674,566
Increase / (decrease) in liabilities:		
Trade and other creditors	100,049	(199,467)
Provisions	-	12,959
Net cash outflows from operating activities	(313,529)	(384,186)

17. Expenditure commitments

(a) Capital commitments

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

	Consolidated 2011 $	Consolidated 2010 $
Exploration and lease rentals commitments		
Not later than one year	1,053,000	263,333
Later than one year and not later than five years	-	-
Later than five years	-	-
	1,053,000	263,333

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

	2011	2010
Operating leases (non-cancellable)		
Not later than one year	37,740	81,453
Later than one year and not later than five years	-	-
	37,740	81,453

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

(c) Remuneration commitments

	2011	2010
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	464,000	455,555
Later than one year and not later than five years	-	-
Later than five years	-	-
	464,000	455,555

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

18. Non-cash investing and financing activities

Options issued to employees, consultants, directors and financiers for no cash consideration are shown in note 26. In addition, the Company's shareholders approved the issue of 506 million shares and 253 million listed options to the following parties to convert $3,036,053 debt to equity:

	Shares	Options
Macquarie Bank Limited (or its nominee)	214,342,162	107,171,081
Seaspin Pty Ltd	166,666,667	83,333,333
Skye Equity Pty Ltd (or its nominee)	125,000,000	62,500,000
Total	506,008,829	253,004,414

19. Contingent liabilities

The Group had no current contingent liabilities as at 30 June 2011 other than as stated below.

Napoleonville Well control

Grand Gulf advised on 11 August 2010 that the Operator, Mantle Oil & Gas LLC of the Dugas & Leblanc # 1 well reported that the well was flowing uncontrollably to the atmosphere. The well was brought under control on 24 August 2010.

Since 12 August 2010, the Company has made a series of important announcements on the ASX in relation to efforts to control the blowout of the Dugas & Leblanc #1 Well ("#1 Well") at its Napoleonville Project in Louisiana, United States (U.S.), and the subsequent effects on the Company.

The Company confirms the Operator's insurance has paid out a total of USD$11,000,000, whilst the Company's insurance has paid out ~USD$2,500,000. The current costs in excess of this to the Company's account are estimated at USD$1,100,000 which are expected to be covered by the Company's umbrella policy.

A class action was filed in the U.S. against the Operator of the #1 Well in State Court for damages by certain residents of the Napoleonville area.

On 13 March 2011, the Company, together with a number of other parties, were joined in a new legal action brought about by the landowner and a neighbouring business operating within close proximity to the Company's operations seeking damages relating to the #1 Well event.

On 8 July 2011, the Company, together with a number of other parties, were joined in a new legal action brought about by a separate landowner within close proximity to the Company's operations seeking damages relating to the #1 Well event.

The Company undertakes to vigorously defend this action and any other action that might be brought against it by virtue of its joint venture interest in the Napoleonville Salt Dome Project. The Board is mindful of its obligations to investors and will immediately update ASX as and when more information becomes available.

The company currently believes that insurance will substantially cover the costs of the #1 Well clean up operations and any court cases or settlements that occur. The Company considers a potential outflow for a possible cost to it, net of insurance, of US$1 million. If the insurance does not cover these costs associated with the environmental clean-up, and/or current or future class actions result in an adverse finding against the Company, this would have a material adverse effect on the Company and could adversely affect the value of Shares held in the Company.

20. Events occurring after reporting date

La Posada Sale

On 23 September 2011 the Company announced the sale of its 4.75 WI in La Posada for US$7.5m. These funds have been receipted and the transaction has been completed.

Loans

On 28 June 2011 the Company advised that it had entered into a loan agreement with a company related to Mr Charles Morgan, Seaspin Pty Ltd, for the provision of a A$800,000 Loan to fund the Company's short-term working capital obligations whilst completing the Entitlements Offer. Under the unsecured loan agreement with Seaspin interest is payable on the Loan at the rate of 12% per annum. The Company has subsequently repaid this loan and outstanding interest.

$2.5 million capital raising to fund expanded drilling program, debt retirement and overheads

Grand Gulf announced on 28th July 2011 that it is proceeding with a fully underwritten pro rata non-renounceable entitlement issue of one Share for every five Shares held by Shareholders for the issue of up to 623,300,999 shares at an issue price of 0.4 cents per Share to raise approximately $2,493,204 before costs.

The proceeds from the issue are to be used for exploration and development of the Company's interests in the La Posada, Abita and West Klondike leases, the repayment of Capital Loans and for working capital purposes.

21. Loss per share

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

	Consolidated 2011 $	Consolidated 2010 $
Losses used in calculating basic loss per share	(5,610,950)	(1,544,236)
	Number	
Weighted average number of ordinary shares used in calculating basic earnings per share	1,599,601,834	478,796,546

As the Group incurred a loss for the year ended 30 June 2011 the options on issue have no dilutive effect therefore the diluted earnings per share is equal to the basic loss per share.

22. Key management personnel disclosures
(a) Key management personnel compensation

	Consolidated 2011 $	Consolidated 2010 $
Short-term employee benefits	573,817	326,183
Post-employment benefits	-	-
Share-based payments	3,520	237,710
	577,337	563,893

See Remuneration Report in the Directors report for further details.

(b) Equity instrument disclosures relating to key management personnel

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

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

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

(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.

2011

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 & KMP							
Mr C Morgan	-	-	-	271,333,333	271,333,333	-	-
Mr M Freeman	10,000,000	-	-	-	10,000,000	10,000,000	-
Mr A Boss	1,000,000	-	-	1,068,100	2,068,100	-	-
Mr S Keenihan	1,000,000	-	-	(1,000,000)	-	-	-
Mr J Trimble	-	-	-	-	-	-	-
Total	12,000,000	-	-	271,401,433	283,401,433	10,000,000	-

2010

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 & KMP							
Mr J Trimble	-	-	-	-	-	-	-
Mr C Morgan	-	-	-	-	-	-	-
Mr A Boss	1,000,000	-	-	-	1,000,000	1,000,000	-
Mr S Keenihan	1,000,000	-	-	-	1,000,000	1,000,000	-
Mr M Freeman	-	10,000,000	-	-	10,000,000	10,000,000	-
Total	2,000,000	10,000,000	-	-	12,000,000	12,000,000	-

(iii) *Share Holdings*
Shares held in Grand Gulf Energy Limited
2011

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 & KMP				
Mr C Morgan	89,216,470	-	532,666,667	621,883,137
Mr M Freeman	20,000,000	-	-	20,000,000
Mr A Boss	8,272,400	-	4,136,200	12,408,600
Mr S Keenihan*	14,160,000	-	-	14,160,000
Mr J Trimble	109,674,291	-	-	109,674,291
Total	241,323,161	-	536,802,867	778,126,028

*Mr S Keenihan holds 1m shares directly and 13.2m shares indirectly through his superannuation fund

2010

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	41,234,392	-	68,439,899	109,674,291
Mr C Morgan	22,252,125	-	66,964,345	89,216,470
Mr A Boss	325,000	-	7,947,400	8,272,400
Mr S Keenihan	2,580,000	-	11,580,000	14,160,000
Mr M Freeman	-	-	20,000,000	20,000,000
	66,391,517	-	174,931,644	241,323,161

(d) Other transactions with key management personnel

No loans have been made during the financial period or at the date of this report to any specified Directors or specified Executives. A number of specified Directors and specified executives, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Transaction	Note	2011 $	2010 $
Specified Directors & Executives			
Mr C Morgan	(i)	-	2,850
Mr M Freeman	(ii)	33,416	1,870

22. Key management personnel disclosures (continued)

(i) Purple Communications Pty Ltd, (Purple) a company related to Mr C Morgan's spouse which provided communication services. Mr C Morgan's wife did not hold an interest in Purple during the year ended 30 June 2011.

(ii) Meccano Pty Ltd, of which Mr M Freeman is a director, provided accounting services, bookkeeping services and a serviced office.

Amounts owing to directors, director-related parties and other related parties at 30 June 2011 and included in trade and sundry creditors were $111,550 (2010: $46,978).

Transaction	Note	2011 $	2010 $
Loans from Mr Morgan			
Beginning of the year		-	-
Loans Advanced	(i)	3,109,985	-
Loans converted to Equity	(i)	(2,635,235)	-
Interest Charged	(i)	96,431	-
Interest Paid	(i)	(95,025)	-
Loan fees	(i)	100,000	-
Underwriting fees	(ii)	110,400	-
Project Acquisitions	(iii)	27,500	-
Balance outstanding		714,056	-

(i) Seaspin Pty Ltd (Seaspin), a company related to Mr Morgan, provided two loan facilities during the year. The first facility totaled $2.73m. The loan was provided unsecured at an interest rate of 8% and a loan fee of 5%. $1m of the loan was converted to equity in March 2011 following shareholder approval, whist the balance was offset against Seaspin's underwriting commitments in the Entitlements Issue dated 14 January 2011. A subsequent loan of $712,650 was provided by Seaspin in June 2011. This loan was repaid prior to 30 September. The loan was provided at an interest rate of 12% pa unsecured.

(ii) Seaspin entered into an agreement in December 2010 to underwrite $2.7m of the Entitlements Offer dated 6 December 2011.

(iii) Seaspin entered into an agreement to sell the Company its 4.75% WI in the La Posada project on 13 December 2010. The project was sold for its historical cost of $A27,500 to the Company taking over all ongoing obligations in respect of the WI.

23. Auditor's remuneration

	Consolidated	
	2011 $	2010 $
Audit or review of the financial report AUS	35,000	37,989
Audit or review of the USA operations	-	46,640
	35,000	84,629

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

24. Segment information

Operating segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which for the group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position.

	Consolidated	
	2011	2010
	$	$
Segment (loss)	(3,995,037)	(178,354)
Corporate revenue	24,816	78,050
Corporate Expenses:		
Corporate office expenses	(25,446)	(203,991)
Employee benefits expense	(500,547)	(173,167)
Professional and statutory fees	(142,414)	(337,368)
Other	(365,598)	(573,306)
Borrowing Expenses	(606,724)	(156,833)
Loss as per the Statement of Comprehensive Income	(5,610,950)	(1,544,969)

25. Financial instruments

FINANCIAL RISK MANAGEMENT

The Group's policies with regard to financial risk management are clearly defined and consistently applied. They are a fundamental part of the Group's long term strategy covering areas such as foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk and capital management. The natural hedges provided by the relationship between commodity prices and the US currency reduce the necessity for using derivatives or other forms of hedging. 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.

Market Risk

(i) Foreign exchange risk

There is no foreign currency exposure on a group or company level. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The only occasion in which there is an exposure on a group or company level to foreign exchange risk is when the Company is raising capital on ASX. As its domicile is Australia it must raise equity capital in Australian $. As its primary currency is the US$ due to its assets, operations and commodities being priced in US$ the company has taken the view that while it is raising US$ to finance US$ operations that it might from time to time hedge its currency for the time period over which it has received funds via an equity raising but has not issued the equity securities which have been subscribed for.

25. Financial instruments (continued)

(ii) Commodity price risk

Due to the nature of the Group's and parent's principal operations being oil & gas exploration and production the Group and the parent is exposed to the fluctuations in the price of oil & gas. Although the Group and parent entity is economically exposed to commodity price risk of the abovementioned inputs, this is not a recognised market risk under the accounting standards as the risk is embedded within normal purchase and sales and are therefore not financial instruments.

(iii) Interest rate risk

Interest rate risk relates to the statement of financial position values of the parent and consolidated cash at bank at June 2011 and June 2010. The working capital loan in the 2010 figures was at floating interest rates and had fair value interest rate risk which did not affect profit or equity.

Due to the majority of the Company funds held in US$ and the US$ interest rates being less than 0.25% the materiality of any sensitivity movements would be immaterial.

(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. 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. Credit rating of cash is AA, all funds are held by Frost Bank and NAB which have government guarantees on 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 $11,144,029 at 30 June 2011 (2010: $9,118,281). 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 cash flows. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing Arrangements
The group had access to the following borrowing facilities at the reporting date:

	Consolidated	
	2011	**2010**
Working Capital Facility	800,000	4,117,647

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 2011 Non-derivatives	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
Trade Creditors	769,771	1,496,974	-	-	-	2,266,745	2,266,745
Borrowings	714,056	-	-	-	-	714,056	714,056
Total	1,483,827	1,496,974				2,980,801	2,980,801

Group – At 30 June 2010 Non-derivatives	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
Trade creditors	597,231	-	-	-	-	597,231	597,231
Borrowings	-	2,156,048	189,101	-	-	2,345,149	2,075,646
Total	597,231	2,156,048	189,101	-	-	2,942,380	2,672,876

26. Share Based Payments

(a) Employee Option Plan

The Grand Gulf Energy Limited Employee Option Plan was approved at the general meeting held on 26 June 2007. Options are granted under the plan and under the discretion of the board to executives and consultants of the Company for no consideration. Options granted under the plan carry no dividend or voting rights and have varied contractual lives. No options were issued during 2011.

Grand Gulf Energy Limited – 2011

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Cancell-ed during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
7 May 10	15 Mar 14	$0.009	15,000,000	-	-	15,000,000	15,000,000
27 Dec 06	31 Dec 10	$0.08	1,000,000	-	1,000,000	-	-
27 Dec 06	31 Dec 10	$0.10	1,000,000	-	1,000,000	-	-
27 Dec 06	31 Dec 10	$0.08	500,000	-	500,000	-	-
31 Jul 07	31 Dec 10	$0.08	800,000	-	800,000	-	-
31 Jul 07	31 Dec 10	$0.10	600,000	-	600,000	-	-
31 Jul 07	31 Dec 10	$0.12	600,000	-	600,000	-	-
Total			19,500,000	-	4,500,000	15,000,000	15,000,000
Weighted Average Exercise price			0.9c	-	-	0.9c	0.9c

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was $nil (2010 – $nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.87 years (2010 – 2.96 years).

26. Share Based Payments (continued)

Grand Gulf Energy Limited – 2010

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Cancell-ed during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
7 May 10	15 Mar 14	$0.009	nil	15,000,000	-	15,000,000	15,000,000
27 Dec 06	31 Dec 10	$0.08	1,000,000	-	-	1,000,000	1,000,000
27 Dec 06	31 Dec 10	$0.10	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			4,500,000	15,000,000	-	19,500,000	19,500,000
Weighted Average Exercise price			9.2c	0.9c	-	2.8c	2.8c

(b) Fair value of options granted

No options were issued during the 2011 year, however pro-rata value of options issued in prior years were expensed during the year.

(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	
	2011	**2010**
	$	**$**
Options issued to consultants*	9,861	731
Options issued to Financiers*	35,020	6,438
Options issued to directors**	3,520	16,069
	48,401	23,238

*This expense related to the fair value of the 115,000,000 options issued to consultants and finance providers during the period. These options were valued at a total of $159,195 and the balance will be expensed over the life of the options.
** The expense related to the fair value of options issued to directors.

(d) Share based compensation

Options

Options granted under the Grand Gulf Energy Limited Employee Share Option Plan and by the Board under no plan to executives or consultants 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 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
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
7 May 2010	15 March 2014	$0.009	$0.0014	15 March 2014

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. All options expire on the earlier of their expiry date.

27. Parent Entity Financial Information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 $	2010 $
Statement of Financial Position		
Current assets	144,687	454,500
Non Current Assets	11,696,807	6,594,699
Total assets	11,841,494	7,049,199
Total liabilities	(909,874)	(86,965)
Shareholders' equity		
Issued Capital	39,678,355	28,604,313
Reserves	2,142,596	2,094,195
Accumulated losses	(30,889,331)	(23,736,274)
	10,931,620	6,962,234
Loss for the year	(7,153,057)	(1,391,171)

(b) Guarantees entered into by the parent entity	**2011**	**2010**
Carrying amount included in current liabilities	-	-
	-	-

(c) Related Party Transactions

(i) 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.

(ii) Subsidiaries

Interests in subsidiaries are set out below.

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.

Investments in controlled entities held by Grand Gulf Energy Limited

	Country of incorporation	2011 %	2010 %
Grand Gulf Operating Inc*	USA	100	100
Alto Energy Limited	Australia	100	100
GG Oil & Gas 1, INC	USA	100	-
GG Oil & Gas 2, INC	USA	100	-
GG Oil & Gas, INC	USA	100	-

* previously named Golden Fleece Petroleum Inc

27. Parent Entity Financial Information (continued)

Investments in controlled entities held by Alto Energy Limited

	Country of incorporation	2011 %	2010 %
Grand Gulf Energy Inc	USA	100	100

(c) 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's, Grand Gulf Energy Incorporated (formerly Alto Energy Incorporated) and GG Oil & Gas I, LLC, totalling $2,175,313 and $9,586,839 respectively at reporting date (2010: $6,863,717 and $nil respectively). There were no repayments made during the year.

Alto Energy Limited has previously provided an unsecured, interest free and repayable on demand loan to its parent Grand Gulf Energy Limited, totalling $nil at reporting date (2010: $ nil).

Alto Energy Limited has previously provided an unsecured, interest free and repayable on demand loan to its wholly owned subsidiary Grand Gulf Energy Inc (formerly Alto Energy Inc), totalling $nil at reporting date (2010: $nil). There were no repayments made during the year.

(d) Contingent Liabilities and Commitments

The Parent Company has no contingent liabilities or commitments other than as those disclosed in note 19 and 17 respectively.

28. Interests in joint ventures

The principal activity of all the unincorporated 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 unincorporated joint venture by the Group assuming farm-in and farm-out commitments in respect of leases are met.

	Working Interest	
	2011	**2010**
Napoleonville leased acreage	39.5%	39.5%
La Posada acreage	4.75%	-
Abita acreage	20%	-
West Klondike	10.5%	-
Lyons Point	5%	-

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows and 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 consolidated financial position as at 30 June 2011 and of its performance for the year ended on that date.

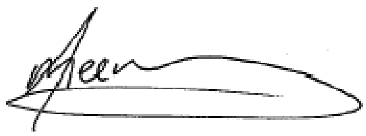
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in pages 8 to 11 of the directors' report (as the audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001.

4. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

5. The directors have been given the declarations by the chief executive officer and chief financial officer required by s295A.

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 Mark Freeman
Director

Perth, 30 September 2011

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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 consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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 opinion.

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*, which has been given to the directors of Grand Gulf Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated financial position as at 30 June 2011 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

We draw attention to Note 6 in the consolidated financial report which describes the uncertainty related to the outcome of a material portion of the insurance claim receivable of $1,496,974 recognised in the statement of financial position as at 30 June 2011. Our opinion is not qualified in respect of this matter.

Emphasis of Matter

We draw attention to Note 19 to the financial statements, which describe the uncertainty related to the outcome of the class action filed in the U.S. against the Operator of the #1 Well in State Court for damages by certain residents of the Napoleonville area. Our opinion is not qualified in respect of this matter.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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.

Auditors Opinion

In our opinion, the Remuneration report of Grand Gulf Energy Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act* 2011.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Perth, Western Australia
Dated this 30th day of September 2011.

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 2011 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
Lay Solid Foundations for Management and Oversight

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 Executive Director is responsible to the Board for the day to day management of the Company.

Corporate Governance Council Recommendation 2
<u>Structure the Board to Add Value</u>

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 three 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 Freeman is employed in an executive capacity by the Company and so cannot 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 Executive 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 5 times between 1 July 2010 and 30 June 2011.

The Board meets formally at least 5 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 in the directors 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. 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 Executive Director.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Diversity Policy
The Board has adopted a Diversity Policy as per Recommendation 3.2. The Diversity Policy addresses equal opportunities in the hiring, training and career advancement of directors, officers and employees. The Diversity Policy outlines the processes by which the Board will set measurable objectives to achieve the aims of its Diversity Policy, with particular focus on gender diversity within the Company.

The Company is committed to ensuring a diverse mix of skills and talent exists amongst its directors, officers and employees and is utilised to enhance the Company's performance.

The Board is responsible for monitoring Company performance in meeting the Diversity Policy requirements, including the achievement of diversity objectives.

Gender Diversity
The Company is focusing on the participation of women on its Board and within senior management. The Board is in the process of determining appropriate measurable objectives for achieving gender diversity.

Women Employees, Executives and Board Members

The Company and its consolidated entities have two (2) female employees/executives:

its office manager; and
an executive assistant

which represent approximately 28% of the total employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company.

Based on the above information the Company believes it is fully compliant with Recommendations 3.

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
<u>Safeguarding Integrity in Financial Reporting</u>

Financial Reporting

Consistent with ASX Principle 4.1, the Company's financial report preparation and approval process for the financial year ended 30 June 2011 involved both the Executive 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 Executive 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.

Executive Director and Chief Financial Officer Written Statement

The Board requires the Executive 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 Executive 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 and retailed disclosure of the remuneration paid to directors and executives is set out on in the directors report.

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.

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 16 September 2011.

1. Statement of issued capital

a) Distribution of fully paid ordinary shares

Size of Holding			*Number of Shareholders*	*Shares Held*
1	-	1,000	95	17,415
1,001	-	5,000	35	87,697
5,001	-	10,000	38	333,750
10,001	-	100,000	533	27,667,973
100,001	and	Over	1,277	3,711,699,159
			1,978	3,739,805,994

b) There are 753 shareholders holding unmarketable parcels represented by 34,049,798 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:

Charles Morgan	19.95%
Craig Ian Burton	10.21%
Macquarie Bank	5.55%

3. Quotation

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

4. Top Twenty Shareholders as at 16 September 2010

The twenty largest shareholders hold 51.424% of the total issued ordinary shares in the Company as at 16 September 2011.

	Name	Number of Shares	% of Issued Shares
1.	Seaspin Pty Ltd	730,084,665	19.522
2.	Skye Equity Pty Ltd	264,000,000	7.059
3.	Macquarie Bank Limited	207,825,000	5.557
4.	Mr James Moore Trimble	80,888,036	2.163
5.	Aviemore Capital Pty Ltd	75,585,566	2.021
6.	Kamira Investments Pty Ltd	54,280,000	1.451
7.	Prospero Capital Pty Ltd	54,269,780	1.451
8.	Mr Phillip John Coulson	52,130,717	1.394
9.	Mr Thomas Fritz Ensmann	49,800,000	1.332
10.	Craig Burton	42,411,100	1.134
11.	Mr Adrian Hartono	42,000,000	1.123
12.	Mr James Trimble	38,505,336	1.030
13.	Mr Mark Freeman	36,278,431	0.970
14.	Mr Stuart Charles Grace & Mr Trent Christian Gardner	36,000,000	0.963
15.	Crimson Holdings Pty Ltd	32,000,000	0.856
16.	Mr Dougal James Ferguson	31,169,001	0.833
17.	Mr Krishna Ravichandran & Mr Srinivasan Ravichandran	30,000,000	0.802
18.	Lifward Pty Limited	24,237,966	0.648
19.	Pethol (Vic) Pty Ltd	21,704,574	0.580
20.	Mr Ian Michael Paterson Parker & Mrs Catriona Sylvia Parker	20,000,000	0.535
		1,923,170,172	51.424

4. **Top Twenty Option Holders as at 16 September 2010**

The twenty largest shareholders hold 59.447% of the total issued ordinary shares in the Company as at 16 September 2011.

	Name	**Number of Options**	**% of Issued Shares**
1.	Seaspin Pty Ltd	332,173,722	22.604
2.	Skye Equity Pty Ltd	109,500,000	7.451
3.	Macquarie Bank Limited	107,171,081	7.293
4.	Kamira Investments Pty Ltd	44,690,000	3.041
5.	Prospero Capital Pty Ltd	42,159,339	2.869
6.	Corporate Equity Pty Ltd	31,000,000	2.109
7.	Mr Stuart Charles Grace & Mr Trent Christian Gardner	26,500,000	1.803
8.	Mr Phillip John Coulson	26,065,359	1.774
9.	J P Morgan Nominees Australia Limited	20,000,000	1.361
10.	Craig Burton	19,377,425	1.319
11.	Mr Ian Michael Paterson Parker & Mrs Catriona Sylvia Parker	13,565,359	0.923
12.	Goffacan Pty Ltd	13,500,000	0.919
13.	Rosalea Pty Ltd	13,000,000	0.885
14.	Mr Raymond Philip Jepp	12,500,000	0.851
15.	Tyche Investments Pty Ltd	11,065,359	0.753
16.	Pethol (Vic) Pty Ltd	10,852,287	0.738
17.	Ms Leona Suzette Vally	10,487,955	0.714
18.	Mrs Catherine Rowland	10,000,000	0.680
19.	Mr Graham Johnson	10,000,000	0.680
20.	Corporate Equity Pty Ltd	10,000,000	0.680
		873,607,886	59.447