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GRAND GULF ENERGY LIMITED

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CORPORATE GOVERNANCE POLICIES



GRAND GULF ENERGY LIMITED

CORPORATE GOVERNANCE POLICIES

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CORPORATE GOVERNANCE

BOARD CHARTER

The board of directors of Grand Gulf Energy Limited is responsible for the corporate governance of the consolidated entity and is committed to applying ASX Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations'. The Board guides and monitors the business and affairs of Grand Gulf Energy Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. It is a requirement of the board that the company maintains at all times the highest standards of ethics and integrity.

Composition of the Board

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

- the board should comprise at least three 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;

The directors in office at the date of this statement are:

Mr Anthony Grist Chairman, Non-Executive Director
Mr Greg Channon Managing Director
Mr Andrew Dimsey Executive Director – Business Development
Mr Charles Morgan Non-Executive Director
Mr Jim Trimble Non-Executive Director

Board Responsibilities

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. 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 Board seeks to discharge those responsibilities in a number of ways.

The responsibility of the consolidated entity is delegated by the board to the Managing Director. The board ensures that the delegate is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

The board is responsible for ensuring the management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- oversight of the company, including its control and accountability systems;
- appointing and removing the chief executive officer (or equivalent)
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the company secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting; and
- monitoring compliance of tax processes.

To assist in the board's responsibilities the following committee's have been established:

Nomination Committee

The board has decided at this time not to establish a separate nomination committee due to the current size of the entity and its operations. The board will review the requirement of a committee as the scale of operations and structure increase. Therefore the board will be responsible for selecting candidates for the position of director.

The procedure for the selection and appointment of new directors to the board will involve:

- (a) To periodically assess the skills required to competently discharge the board's duties, having regard to the strategic direction of the Company.
- (b) The board shall, as and when it considers appropriate, but in any event on each occasion on which an existing director retires, assess the skills represented on the board by the directors and determine whether those skills meet the required skills as identified.
- (c) The board shall assess whether the skill levels of existing directors can be enhanced.
- (d) Having regard to the skills required and the skills represented, the board shall implement a process for the identification of suitable candidates for appointment to the board of directors.
- (e) The board shall consider the directors who are retiring in accordance with the provision of the Constitution and determine whether the Board should support the re-nomination of that retiring director.

(f) In determining the outcome under paragraph (e) the board will undertake a process of review of the retiring director's performance during the period in which the director has been a member of the board and in so doing will conduct that review by whatever means it considers appropriate including assessment of performance by peers and self.

(g) A member of the board shall not participate in the review of his or her own performance.

Remuneration Committee

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, chief executive officer and executive team. The board has established a Remuneration Committee, comprising two non-executive directors and one executive director and operating a board approved terms of reference. The members of the remuneration committee are:

Anthony Grist – Chairman
Greg Channon
Charles Morgan

Audit Committee

The board has established an audit committee, which operates under a board approved terms of reference. It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The audit committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial statements.

The members of the audit committee are:

Nadine Donovan - Chairman
Anthony Grist
Charles Morgan

The audit committee is also responsible for nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

Board Members Rights to Independent Advice

The board has procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairperson.



The board of directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. The directors have also established a communication strategy policy.



TERMS OF REFERENCE

AUDIT AND COMPLIANCE COMMITTEE

1. Establishment

1.1 The Committee was established by the company in May 2005.

1.2 Variation of these Terms of Reference may be only made by the Board, and the Committee is empowered to determine its own procedures.

1.3 These terms of reference will be reviewed annually by the Committee and the Board.

2. Introduction

As part of the Board's plans to fulfill its obligations it has constituted an Audit and Compliance Committee to facilitate:

- the effective operation of systems and controls which minimise financial and operational risk;
- reliable financial and management reporting policies and procedures;
- compliance with laws and regulations; and
- maintenance of an effective and efficient internal and external audit process.

3. Duties and Responsibilities

The Audit and Compliance Committee of the Company is to be directly responsible to the Board of Directors for the following primary functions:

(a) ensuring appropriate Group accounting policies and procedures are defined, adopted and maintained;

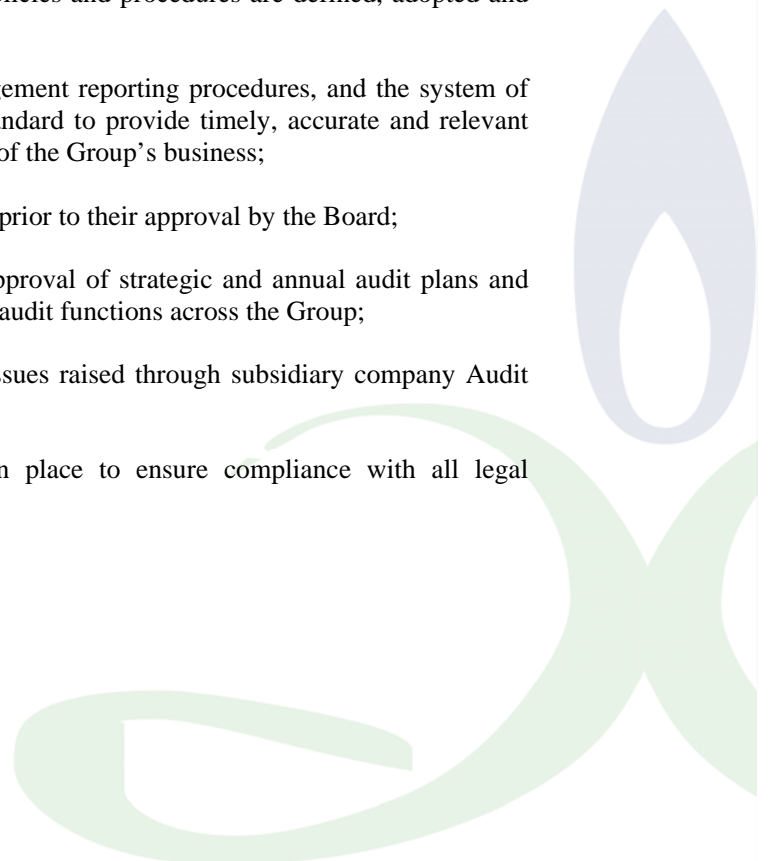
(b) ensuring that Group operating and management reporting procedures, and the system of internal control, are of a sufficiently high standard to provide timely, accurate and relevant information as a sound basis for management of the Group's business;

(c) reviewing the Group Financial Statements prior to their approval by the Board;

(d) reviewing the scope of work including approval of strategic and annual audit plans and effectiveness of both the external and internal audit functions across the Group;

(e) monitoring the proper operation of and issues raised through subsidiary company Audit and Compliance Committees;

(f) ensure that appropriate processes are in place to ensure compliance with all legal requirements affecting the Group;



(g) ensure that all internal and industry codes of conduct and standards of corporate behaviour are being complied with;

(h) appointment of, on recommendation by the Managing Director, a person(s) responsible for Internal Audit functions as specified from time to time by, and in accordance with, the Committee's Terms of Reference;

(i) responsible for making recommendations to the board of directors on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), monitoring of effectiveness, and independence of the external auditors.

(j) actioning any other business processes or functions which may be referred to it by the Board of Directors.

The decisions of the Committee, as contained in its Minutes, shall constitute recommendations to the Board of Directors.

Appointment of External Auditors

The committee shall be directly responsible for making recommendations to the board of directors on 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. The committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The committee may delegate pre-approval authority to a member of the audit committee. The decisions of any audit committee member to whom pre-approval authority is delegated must be present to the full audit committee at its next scheduled meeting. When reviewing the auditor's independence the committee will encourage the rotation of the audit partner at least once every 5 years.

4. Authority and Access

The Board authorises the Audit and Compliance Committee within the scope of its responsibilities to:

- seek any information it requires from employees or external parties;
- obtain outside legal or other independent professional advice;
- ensure the attendance of external parties with relevant experience and expertise.

TERMS OF REFERENCE

REMUNERATION COMMITTEE

1. Establishment

1.1 The Committee was established by the company on 24 January 2006.

1.2 Variation of these Terms of Reference may be only made by the Board, and the Committee is empowered to determine its own procedures.

1.3 These terms of reference will be reviewed annually by the Committee and the Board.

2. Introduction

The role of the Remuneration Committee (the Committee) as a sub-committee of the Board is to assist the Board in ensuring that appropriate and effective remuneration packages and policies are implemented within Grand Gulf Energy Limited and its subsidiaries (the Group) for the Managing Director, Executive Directors and direct reports to the Managing Director. The Committee's role also extends to the review of non-executive directors' fees.

3. Duties and Responsibilities

The duties and responsibilities of the Committee are:

(a) To review and recommend to the Board, remuneration policies and packages for the Managing Director, Executive Directors and direct reports to the Managing Director.

(b) To recommend to the Board any changes in remuneration policy including superannuation, other benefits and remuneration structure for executives identified in (a) above and which is likely to have a material impact on the Group.

(c) To review and recommend to the Board proposals for employee and non-executive director equity plans.

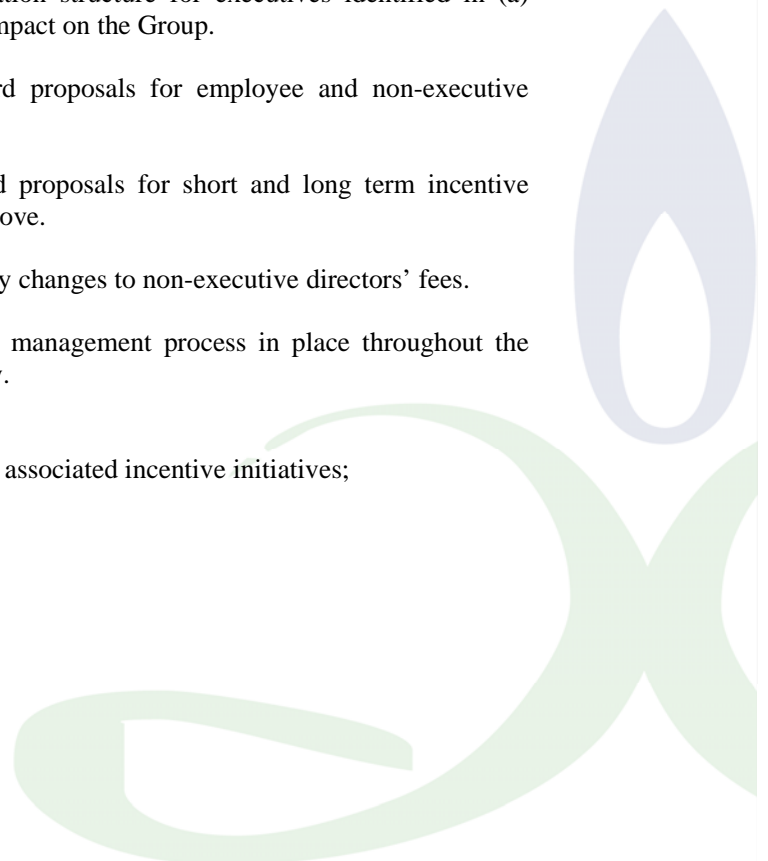
(d) To review and recommend to the Board proposals for short and long term incentive programmes for executives identified in (a) above.

(e) To review and recommend to the Board any changes to non-executive directors' fees.

(f) To ensure there is a proper performance management process in place throughout the organisation and that it is operating effectively.

(g) To be informed of:

- current trends in executive remuneration and associated incentive initiatives;



- legislative issues associated with executive remuneration programmes.

The decisions of the Committee, as contained in its Minutes, shall constitute recommendations to the Board of Directors.

4. Authority and Access

The Committee shall have access to senior management of the Group and can seek such information it considers necessary to carry out its duties. The Committee can also access independent professional advice subject to prior consultation with the Chairman of the Board.



CORPORATE GOVERNANCE CODE OF CONDUCT

1. Introduction

Although the policies in this Code do not cover the full spectrum of personnel activities, they are indicative of the Company's commitment to the maintenance of high standards of conduct and are descriptive of the type of behaviour expected from personnel in all circumstances.

Whenever an individual is in doubt about the application or interpretation of the Code, or becomes aware of any business being conducted for and on behalf of the Company which contravenes the standards specified in the Code, the individual should inform his/her superior or the board immediately.

Monitoring is regularly undertaken to ensure compliance with the Code. Any violation of the standards in the Code will be grounds for disciplinary action, which could include dismissal.

2. The Company shall comply with the laws that are applicable to Company operations and business activities

The company shall comply with the laws in the jurisdictions in which it operates and conducts its business activities. The laws that govern the Company's operations and business affairs are increasing and are becoming more complex. Although personnel are not expected to know all of the laws that govern the Company's operations and activities, they should recognise and be familiar with, the basic legal requirements applicable to his/her area of responsibility.

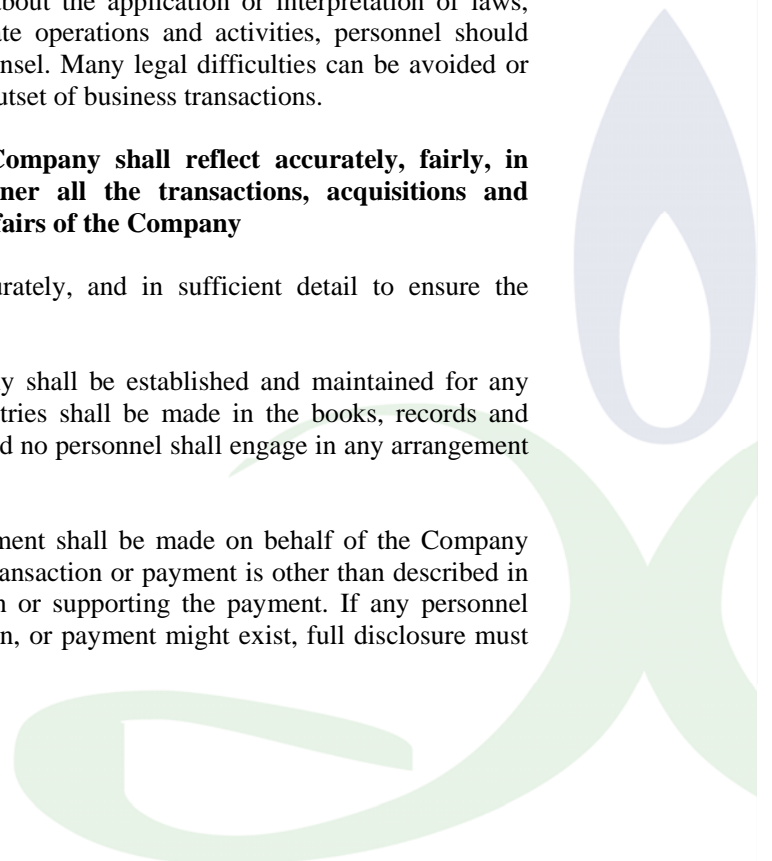
Whenever an individual has any questions about the application or interpretation of laws, regulations and standards governing corporate operations and activities, personnel should seek the advice of the Company's Legal Counsel. Many legal difficulties can be avoided or minimised if legal counsel is obtained at the outset of business transactions.

3. Books, records and accounts of the Company shall reflect accurately, fairly, in reasonable detail, and in a timely manner all the transactions, acquisitions and dispositions of assets, and other business affairs of the Company

All reporting must be done promptly, accurately, and in sufficient detail to ensure the integrity of corporate information and records.

No unrecorded fund or asset of the Company shall be established and maintained for any reason. No false, artificial, or misleading entries shall be made in the books, records and documents of the Company for any reason, and no personnel shall engage in any arrangement that results in such prohibited acts.

No transaction shall be effected and no payment shall be made on behalf of the Company with the intention or understanding that the transaction or payment is other than described in the documentation evidencing the transaction or supporting the payment. If any personnel believe any such fund, asset, entry, transaction, or payment might exist, full disclosure must be made to the Board.



4. Company contributions to political parties, candidates, or campaigns shall be made in accordance with the applicable legislation and as authorised by the Board

All contributions to a political party, candidate, or campaign shall be in accordance with applicable domestic or foreign legislation. Requests for such contributions should be referred to the Company's Managing Director. It should be noted that political contributions include anything having value such as loans, entertainment and use of corporate facilities, assets, property, services or personnel. Prior approval to make any such contribution is required. The Company encourages its personnel to be involved in Political activities but such involvement should be undertaken by personnel acting on their own time and on their own behalf and not as representatives of the Company.

5. All personnel shall safeguard Company resources and shall follow safe working practices

Theft, pilferage, wilful damage, or misuse of Company property is NOT acceptable and will not be tolerated by management. Personnel shall not engage in any conduct that will create hazards or unsafe conditions in the place of work or otherwise fellow workers.

6. Confidential information, proprietary information, intellectual property, patents, copyrights, and the like, whether owned or developed by the Company or by third parties and in the possession of the Company, shall not be disclosed, appropriated or used other than as specifically allowed or contemplated, without proper authorisation

Unless previously published, corporate records, reports, papers, devices, processes, plans, methods, apparatus, intellectual property, whether patented or copyrighted or not, and inside information, whether owned or developed by the Company or by third parties and in the possession of the Company, are considered by the Company to be proprietary and confidential. Unauthorised disclosure or misuse of the Company's proprietary or confidential information is prohibited.

The Company may disclose to its customers, suppliers, personnel, investors, and the public only such information about the Company as is necessary for them to judge adequately the Company and its activities, or as is contained in the Company's normal reporting functions to government and industry. However, except as required by law, the Company cannot be expected to disclose information which might impair its competitive effectiveness or which might violate the private rights of individuals or institutions. Any release of information to the public must be per the continuous disclosure policy.

Intellectual property is proprietary and may be confidential, whether or not protected by patent, trademark, copyright or otherwise and includes computer software programs, technical processes, inventions, research devices, reports or articles containing any form of unique or original innovation or development. Personnel and agents of the Company should be aware of the confidential, proprietary and contractual provisions relating to such intellectual property with respect to the use, copying, appropriation or disclosure thereof, whether owned or developed by the Company or by third parties and in possession of the Company.

Intellectual property that has been created or developed by personnel within their scope of employment or contract, and any patents, rights, or copyrights there from belongs to and is owned by the Company.

With regard to release of information in the event of a disaster, it is imperative that the initial response to the media be given by the immediate highest level of authority at the site. This response shall be confined to a brief description of the disaster (eg. Fire, explosion, injuries, death, etc.) and shall not include names of individuals involved, estimates of damage, or other details pending notification of authorities, next of kin, and others. The person issuing the response shall contact management as soon as possible for direction.

Where the incident takes place in a strategic confidential project, there is to be no release of information surrounding the project's capabilities or causes of the incident without prior approval of the Board.

7. Personnel must avoid all situations in which their personal interests conflict or might conflict with their duties to the Company or the interests of the Company

Personnel should avoid entering into any business arrangements, acquiring any interests, or participating in any activities that would:

- Deprive the Company of the time or attention required to fully perform their duties properly in accordance with their employment terms;
- Interfere with or affect their judgment or ability to act solely in the Company's best interests; or
- Otherwise conflict with the best interests of the Company.

For example, a conflict of interest could arise when individuals have a personal interest, direct or indirect, in a supplier, customer or competitor of the Company, or when an individual is engaged in outside employment or participates in an outside organisation which may interfere with the personnel's regular duties or affect the personnel's working effectiveness. Personnel are required to disclose promptly and in writing to the Managing Director all business, commercial, or financial interests or activities where such interests or activities might reasonably be regarded as creating actual or potential conflict with their duties of employment. Personnel are required to ensure that actions taken and decisions made within their area of responsibility are free from influence of any interests that might reasonably be regarded as confliction with those of the Company. After any personnel has disclosed a potential conflict, a determination will be made as to whether the individual should divest his or her interest or have other duties and responsibilities assigned.

If personal financial or other benefit is gained by an individual or his or her relatives or associates through the use or misuse of corporate property, or information proprietary or confidential to the Company, the law in most jurisdictions provides that the individual must account to the Company for any benefits received and may provide for further fines or penalties. Not only an actual conflict of interest but the very appearance of a conflict of interest should be avoided.

8. Personnel shall not use for their own financial gain, or disclose for the use of others, inside information obtained as a result of their engagement with the Company

All personnel must comply to the Company's Securities Trading Policy.

9. The Company's business is conducted fairly and purchases of services, materials and equipment are made on the basis of quality, service, and price

The Company conducts its business activities fairly and competitively in accordance with the requirements of trade and anti-competition legislation applicable in the jurisdiction in which it operates. Personnel must be aware of the provision of such legislation pertaining to agreements and arrangements with competitors, pricing practices, and other matters that are subject to review under this legislation. Failure to observe these legislative requirements can result in serious liability to the Company and to the individuals involved.

The following trade practices are prohibited:

- Price-Fixing – Any oral, tacit or implied agreement or understanding among competitors to adhere to certain prices or any element thereof will be considered price-fixing.
- Communication among competitors relating any way to current or future prices may result in a price-fixing charge. Price information about a competitor's product may be obtained if publicly announced or from a Company's customer. Also, it is permissible to mail a price list to a competitor if the competitor is a customer for a product of which a price list has been requested.
- Bid-Rigging – Any oral, tacit or implied agreement to refrain from bidding, to bid at a certain price, or to submit a "protective" bid (a bid that is obviously less favourable than a competitor's bid) will be considered bid-rigging.
- Agreement to Divide Markets – Any oral, tacit or implied agreement among competitors that contemplates or results in a division, assignment or apportionment of customers or territories to be served, or a limitation on any product sold or services rendered, will be considered an agreement to divide markets.
- Refusal to Deal – Any oral, tacit or implied agreement among competitors to refuse to sell to or purchase from any person will be considered a refusal to deal.

With respect to trade associations, which by their nature involve meetings and discussions with competitors, care must be taken to avoid prohibited trade practices. If at any trade association meeting the subject of product pricing, bidding, territorial or customer allocation, or refusal to deal is discussed, any Company personnel attendance must leave the meeting immediately without comment. The circumstances must then be reported to the Executive Director - Operations so that proper corrective action may be taken. Trade association questionnaires asking for information relating to prices should not be answered and all such questionnaires should be referred to the Executive Director - Operations.

It is Company policy not to seek to obtain or to retain business by agreeing to purchase supplies from a particular customer. There is nothing improper in doing business with customers that are the Company's supplier so long as the business transacted with the supplier is not based on the condition or understanding that purchases by the Company from such supplier are contingent upon the business to be conducted by the Company with such supplier.

10. All personnel and prospective employees of the Company are assured equal employment opportunity and a healthy and safe working environment

Having regard to the personal safety and well-being of ALL personnel, the Company will recruit, select, train, promote, compensate, transfer, discipline and release personnel and take any and all other actions without regard to race, creed, colour, religion, nationality, place of origin, age, sex, marital status, or the fact that a person has a physical handicap, is a war veteran or was convicted of an offence for which a pardon has been issued.

The necessary policies and measures will be adopted by the Company to create and maintain:

- A viable business enterprise that will provide the Company's personnel with competitive wages and benefits;
- A safe, healthy, efficient and productive work place for personnel;
- An environment which promotes a high degree of cooperation and mutual trust between the Company and its personnel; and
- Opportunities for personnel to develop their potential.

Should any personnel feel that discrimination has occurred or that an event has occurred which affects the work place or environment, the individual should report the occurrence to his/her superior or to the Managing Director.



11. The Company's integrity shall not be compromised nor its reputation as a good corporate citizen impugned by corrupt, illegal, or improper payments made by or on behalf of the Company, its personnel, or its agents

No one employed or contracted by the Company shall at any time offer, promise, authorise, approve, or condone the use of corporate funds or property for any of the following activities in any country:

- The payment of money or the giving of anything of value to any government official, to influence him or her to act or to fail to act in any official capacity or to induce him or her to use his/her influence with any government official or government agency or instrumentality, in order to retain any business for the Company or to direct any business to any other person;
- The payment of money or the giving of anything of value to any political party, any official of a political party, or any candidate to act or to fail to act in an official capacity or to induce such political party, official, or candidate to influence a government official or any government agency or instrumentality, in order to obtain or retain any business for the Company, or to direct any business to any other person; or
- The payment of money or the giving of anything of value to any person who will apply such payment or gift or any part of such payment or gift, directly or indirectly, to any one of the foregoing activities.

The foregoing activities are prohibited even if permitted by the laws, standards, or customs of any country where the Company is doing business, and regardless of any requests or pressures received from the government of such country or the competitive consequences of refusing to comply with such requests or pressures.

This policy does not prohibit a payment of money made or authorised to be made to government personnel who are in a clerical or ministerial position and who have no discretionary authority, where a payment is necessary to induce such personnel to perform his/her regular function, provided that the payment is not excessive, that it is approved by the senior Company officer responsible for the affected operation, and that it is properly recorded in the books of the Company.

This policy does not prohibit the normal extension of those common courtesies and social amenities consistent with ethical business practices, and with the customs and usage of the industry, which are offered and received on a basis of amicable personal relations and which do not give even the appearance of impropriety, provided that the cost thereof is properly identified and disclosed in the books of the Company.

Nor does this policy prohibit the payment of commissions or fees to responsible and qualified consultants, agents, marketing representatives, attorneys, and others for necessary and legitimate services actually performed, where the amount paid is reasonable related to the value of such services or the benefits resulting therefrom. This policy is not intended to prohibit any payments to a government official, employees, or agency, which are specifically required by a law, regulation, or decree equally applicable to all similarly situated companies.



Personnel that are uncertain of the applicability of the above policy to any proposed action must obtain permission from the board before proceeding. No one, however, is authorised to compromise or to qualify the above policy on behalf of the Company.

Personnel who discover a breach of this policy must immediately advise the board



12. Personnel are prohibited from any practice that constitutes commercial bribery

No funds of the Company shall be paid, loaned, or otherwise disbursed nor shall any assets of the Company be given, leased, or otherwise disposed of as bribes, kickbacks, or other payments designed to influence or compromise the conduct of the recipient. No officer or personnel of the Company shall accept any funds or assets for assisting any person or entity to obtain business or to ensure special concessions from the Company.

The following conduct is expressly prohibited:

- Payment or receipt of money, gifts, loans, or other favours which may tend to influence business decisions or compromise independent judgment; and
- Payment or receipt of rebates or kickbacks for obtaining business of the Company or for the Company.

Entertainment provided to persons with whom the Company conducts business or offered to personnel of the Company is permitted when it is:

- Reasonable in amount and not made with the intent to influence the recipient with his/her area of responsibility;
- Consistent with generally accepted business practices and not in contravention of any law or regulation; and
- Such that full public disclosure would not embarrass or in any way reflect unfavourably on the Company or the recipient.

For example, reasonable expenditures for the entertainment of customers, prospective personnel or business associates are permissible on the part of a personnel whose duties embrace the provision of such entertainment provided proper accounting is made. Business lunches, dinners, sporting activities and theatre entertainment may be accepted where the above standards are met.

Gifts may be given or received when customary in a country and only when they are not excessive in amount and properly recorded in the books of the Company.

Should an officer, personnel, or agent of the Company be requested to make or accept a payment, gift, or other benefit that exceeds the standards specified herein, he should immediately disclose the request and all surrounding circumstances to his/her superior or to the managing director.

13. The Company and its personnel may belong to industry and professional associations when such membership provides significant benefits to the Company and to its business activities

The Company and/or its personnel, with the prior approval of the Company, may belong to industry and professional associations when such organisations contribute significant benefits to justify time and cost of membership or support. Such associations involve meetings and



discussions. Therefore, personnel who participate should be prepared to give reasonable time and resources commensurate with the benefits derived by the Company.



CORPORATE GOVERNANCE

SECURITIES TRADING POLICY

1. Introduction and Purpose

This policy statement summarises the law relating to insider trading and sets out the policy of Grand Gulf Energy Limited (GGE) on directors, officers, employees and consultants dealing in securities of GGE.

If you do not understand the summary of law or GGE's policy, or how it applies to you, you should raise the matter with the board before trading in any securities which may be affected by the policy or the law.

This policy statement is only a summary of complex legal provisions, and should therefore only be used as a general guide, not as legal advice.

2. The Insider Trading Prohibition

If you have "price-sensitive information" relating to GGE which has not been published or which is not otherwise "generally available", it is illegal for you to:

- buy, sell or otherwise deal in shares in GGE Limited
- advise, procure or encourage another person (for example, a family member, a friend, a family company or trust) to buy or sell GGE Securities; or
- pass on information to any other person, if you know or ought reasonably know that the person may use the information to buy or sell (or procure another person to buy or sell) GGE Securities.

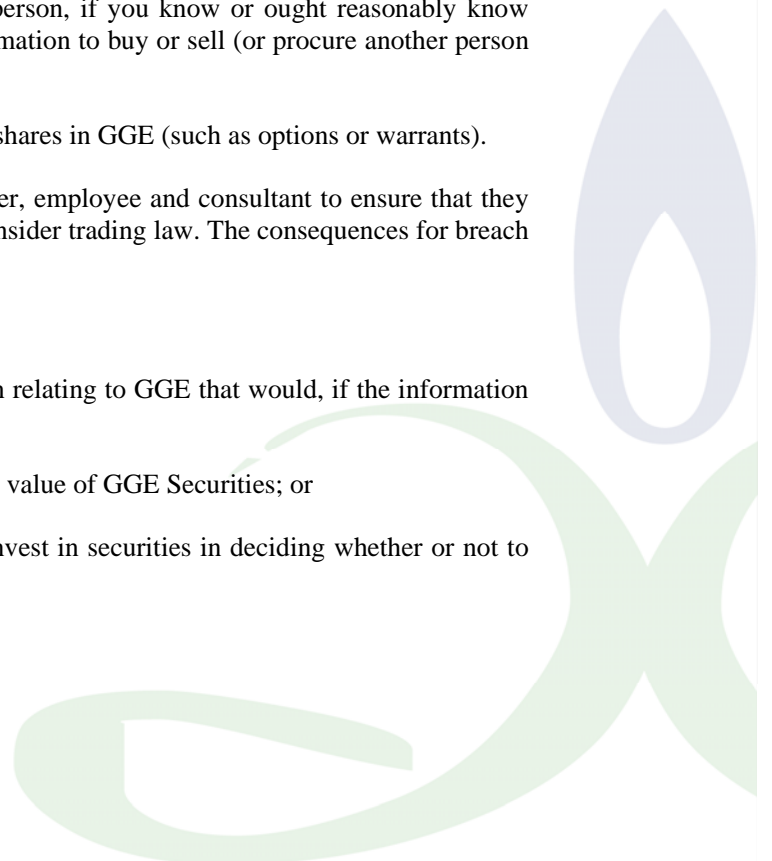
The rules also apply to derivatives relating to shares in GGE (such as options or warrants).

It is the responsibility of each Director, Officer, employee and consultant to ensure that they do not do any of the things prohibited by the insider trading law. The consequences for breach of this law may be severe.

3. What is "Price Sensitive Information"?

Price-sensitive information means information relating to GGE that would, if the information were publicly known, be likely to:

- have a material effect on the price or value of GGE Securities; or
- influence persons who commonly invest in securities in deciding whether or not to buy or sell GGE Securities.



Examples of possible price-sensitive information include, but are not limited to:

- the financial performance of GGE against its budget;
- entry into or termination of a material contract (such as a major joint venture);
- a material acquisition or sale of assets by GGE;
- an actual or proposed takeover or merger;
- an actual or proposed change to GGE's capital structure
- a proposed dividend or a change in dividend policy; or
- a material claim against GGE or other unexpected liability.

4. When is the information “generally available”?

Information is generally available if:

- it consists of readily observable matter;
- it has been made known in a manner likely to bring the information to the attention of people who commonly invest in securities of a kind whose price or value might be affected by the information, and, since it was made known, a reasonable period for it to be disseminated among such persons has elapsed;
- it is derived from information which has been made public; or
- it consists of observations, deductions, conclusions or inferences made or drawn from other generally available information.

5. Consequences for breach of the Insider Trading Prohibition

Breach of the insider trading prohibition by you or family members could expose you or them to criminal and civil liability. Breach of insider trading law or this policy will also be regarded by GGE as serious misconduct which may lead to disciplinary action and/or dismissal.

6. Dealing in shares of other companies

If you have “price sensitive information” relating to a company other than GGE which is not “generally available” the same insider trading rules outlined above apply to buying and selling shares in that company. In the course of performing your duties as a director, officer, employee or consultant of GGE, you may obtain price sensitive information relating to another company in a variety of circumstances. Examples include, but are not limited to the following:

- another company may provide price sensitive information about itself to GGE in the course of a proposed transaction;
- another company which whom GGE is dealing may provide price sensitive information about a third company; or
- information concerning GGE or actions which may be taken by GGE (i.e. a planned transaction or strategic change) could reasonably have an effect on a third party company.

Apart from the application of the insider trading rules to shares in other companies, directors, officers, employees and consultants are also bound by a duty of confidentiality in relation to information obtained in the course of their duties in respect of third parties.

7. Trading in Company's Securities

All directors and senior executives are to advise the Chairman in writing (email accepted) of their intention to trade in the company's securities, or in the case of the Chairman's intention to trade, to notify the non-executive directors. The board to then consider the impact of security trade in terms of good corporate governance practice.

8. Contacts

If you have any questions arising from GGE's Securities Dealing Code Policy, you may contact one of the persons listed below.

Mark Pitts
Company Secretary
Grand Gulf Energy Limited
Suite 8, 7 The Esplanade
Mt Pleasant, 6153
Western Australia
Telephone: +61 (0) 8 9324 3011
Facsimile: +61 (0) 8 9324 3055



CORPORATE GOVERNANCE CONTINUOUS DISCLOSURE POLICY

1. Introduction and Commitment to Market Disclosure

As per the requirements of ASX Continual Disclosure Chapter 3 and the Corporations Act Chapter 6CA the Board of Directors of Grand Gulf Energy Limited ("**GGE**" or "**Company**") are committed to a policy of continuous disclosure.

2. Responsible Persons

The Directors of the Company in consultation with their legal and corporate advisors are the sole determinates of "materiality" and therefore disclosure requirements.

3. Material Information

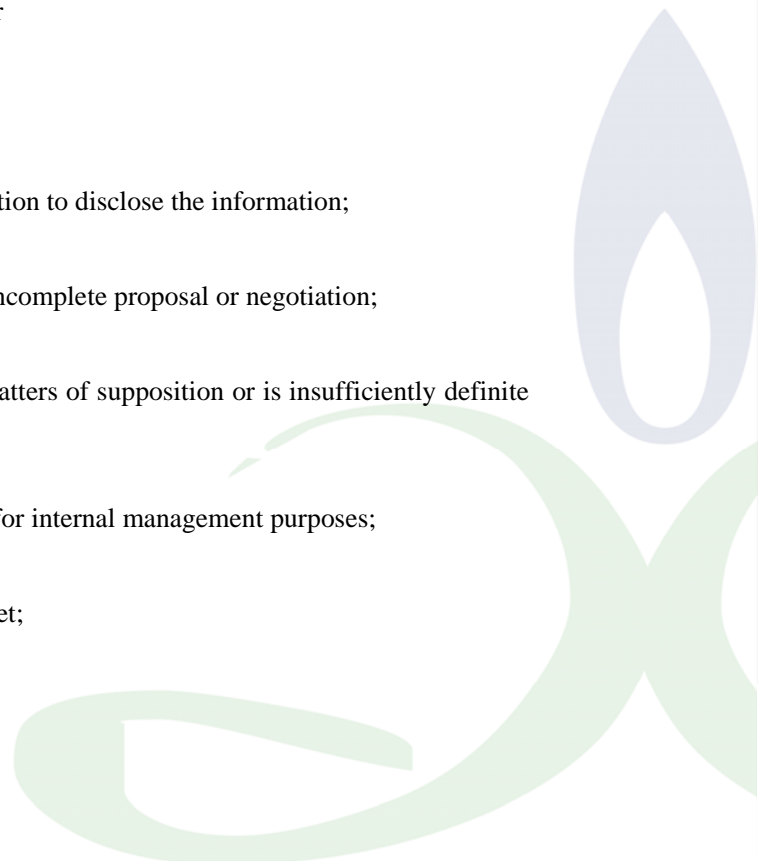
All management must inform a Director or in their absence the Company Secretary of any potentially material information or proposal as soon as practicable after the manager becomes aware of that information.

Information is material if it is likely that the information would influence investors in deciding whether to buy, hold, or sell GGE securities.

4. Non Material Information

Information is not material and need not be disclosed if:

- (a) A reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and
- (b) The information is confidential; or
- (c) One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - iv. The information is generated for internal management purposes;
 - v. The information is a trade secret;



- vi. It would breach a material term of an agreement, to which the company is a party, to disclose the information;
- vii. It would harm the company's potential application or possible patent application; or
- viii. The information is scientific data that release of which may benefit the company's potential competitors.

5. Company Records

The Company Corporate File contains all matters of materiality and all records of disclosure to Australian Stock Exchange ("ASX") and Australian Securities & Investment Commission ("ASIC").

6. Disclosure Procedures

The Company Secretary is responsible for the disclosure of material information to the ASX and ASIC and maintains a procedural methodology for disclosure as well as for record keeping.

Refer to the Communications Strategy Policy for the method of disclosure to shareholders and the general public.

7. Approval of Disclosure

Any items of materiality that require disclosure require the approval of a minimum of 2 Directors.

8. Review of Company policy on Continual Disclosure

This policy is reviewed as required.

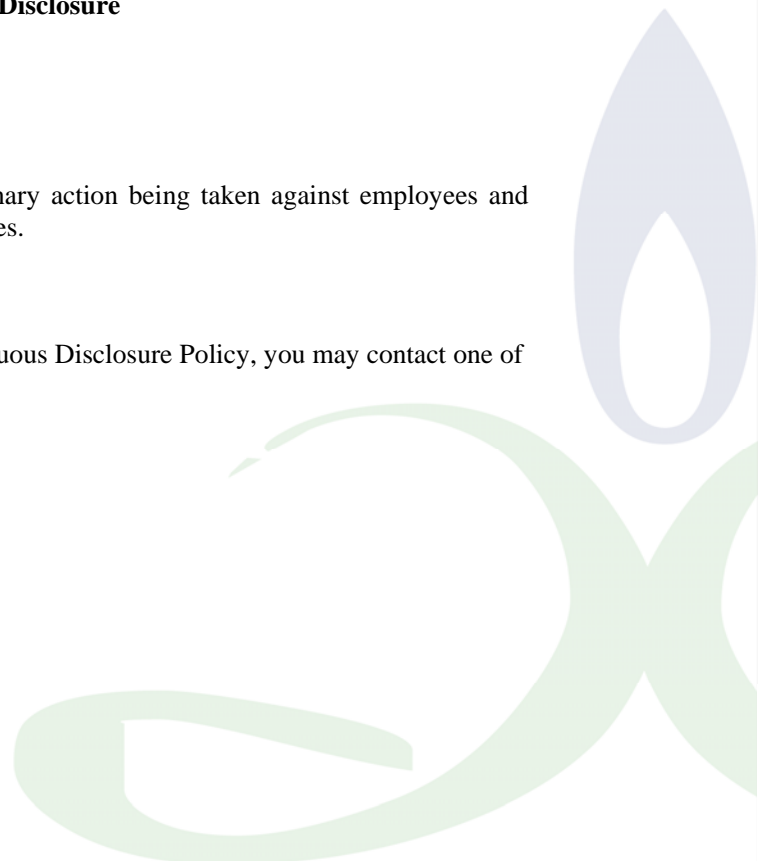
9. Disciplining Action

Breaches of this policy may lead to disciplinary action being taken against employees and consultants, including dismissal in serious cases.

10. Contacts

If you have any questions arising from Continuous Disclosure Policy, you may contact one of the persons listed below.

Mark Pitts
Company Secretary
Grand Gulf Energy Limited
Suite 8, 7 The Esplanade
Mt Pleasant, 6153
Western Australia
Telephone: +61 (0) 8 9324 3011
Facsimile: +61 (0) 8 9324 3055



CORPORATE GOVERNANCE COMMUNICATIONS STRATEGY POLICY

1. Introduction

The Board of Directors of Grand Gulf Energy Limited ("GGE" or "Company") has established a communications strategy policy to promote effective communications with shareholders and stakeholders.

2. Responsible Persons

The Directors of the Company are responsible for implementing the communications strategy.

3. Methods of Communications

3.1 ASX Release

In the first instance, the Company will release all information to the public through an ASX release. The Company will ensure the release complies with the Company's Continuous Disclosure Policy.

3.2 Website

All information released to the ASX will be posted on the GGE website as soon as practicable following confirmation of receipt by the ASX. The company will also review the website on a regular basis to ensure the information is current. GGE's website is:

www.grandgulfeenergy.com

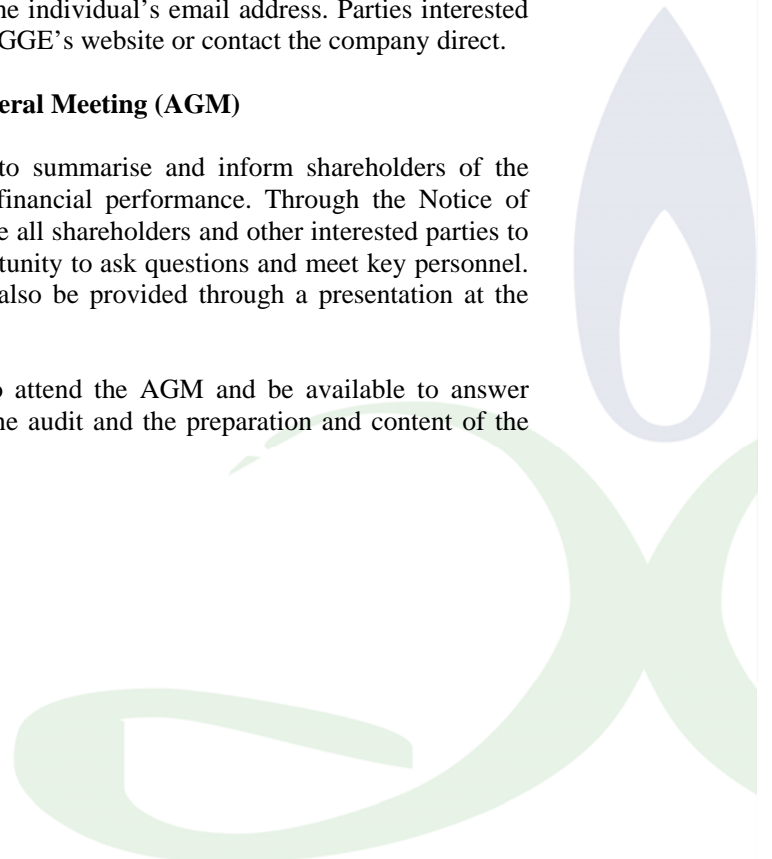
3.3 Database

GGE will maintain an email database of interested parties to allow the Company to send key information released to the ASX directly to the individual's email address. Parties interested in being added to the database can register on GGE's website or contact the company direct.

3.4 Annual Report and Annual General Meeting (AGM)

The Company will use the Annual Report to summarise and inform shareholders of the Company's previous year's operations and financial performance. Through the Notice of General Meeting, the Company will encourage all shareholders and other interested parties to attend the AGM as it will give them an opportunity to ask questions and meet key personnel. An update of the Company's activities will also be provided through a presentation at the AGM.

The Company's auditor will be requested to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.



3.5 Direct Communication and Presentations

Shareholders, stakeholders and other interested parties are welcome to contact the Directors or Company Secretary directly. The Company will also be available to provide presentations to investor groups, brokers, institutions and industry related parties on a regular basis. Where possible, the Company will accept invitations to publicly present on the Company at relevant seminars and conferences.

At all times information released to any of the parties must conform with the Continuous Disclosure Policy.

3.6 Media

Key information released to the ASX will also be forwarded to relevant media organisations. The Company will also pursue and encourage publicity on the Company through feature articles and briefings. The Company is also willing to accept invitations from the media to make comment on industry related activities unless there is good reason for not doing so. All media contact must be authorised by the Board.

4. Contacts

Contact details for the company are:

Grand Gulf Energy Limited
Suite 8, 7 The Esplanade
Mt Pleasant, 6153
Western Australia
Telephone: +61 (0) 8 9324 3011
Facsimile: +61 (0) 8 9324 3055
Email: info@grandgulf.net
Website: www.grandgulffenergy.com



CORPORATE GOVERNANCE

RISK POLICY AND INTERNAL COMPLIANCE AND CONTROL SYSTEMS

There are numerous risks associated with investing in any form of business and with investing in the share market generally. There are also a range of specific risks associated with the Company's business and its involvement in the resource sector.

Taking and managing risk are central to our business and to building shareholder value. To do this effectively we need to optimise our level of risk. Our risk approach links our vision and values, objectives and strategies, and procedures and training.

The Board recognises the main types of risk:

Share Market

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance.

Share market conditions are affected by many factors including but not limited to the following:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- mineral price fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities
- as well as other factors beyond the control of the Company.

Exploration, Development and Mining Risk

Oil and gas exploration, project development and mining by their nature contain elements of significant risk. The future success of the Company, like all resource exploration and mining companies will be heavily dependent upon a number of factors many of which are beyond the control of the Company and the Directors. Risk factors include:

- maintenance of tenure and access to the Company's leases and the granting of any mining lease applications or other approvals required for the conduct of exploration and mining activities;

- the discovery and exploitation of economically recoverable oil and gas reserves about the Company's leases or any other tenements that may be acquired in the future;
- the calculation and interpretation of resource estimates are by their nature expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly through additional fieldwork or if new information or techniques become available. This may result in alterations to development and mining plans, which may, in turn adversely affect the Company's operations;
- finalisation of bankable feasibility studies and access to adequate project development capital and acceptable terms;
- financial failure or default by a participant in any joint venture or other contractual relationship to which the Company is, or may become a party;
- the ability to negotiate acceptable toll treatment agreements with respect to various mining and milling alternatives;
- obtaining consents and approvals necessary for the conduct of exploration and mining;
- mechanical failure or breakdown of mining or drilling plant and equipment or mine structure resulting in significant delays;
- adverse weather conditions, accidents or industrial disputes over a prolonged period adversely affecting mining and exploration activities and the earning of revenues; and
- adverse changes in government policies or legislation affecting mining and exploration activities.

Currency Risk

As the Company's potential earnings will be largely derived from the sale of oil and gas commodities, the Company's future revenues and cash flows will be impacted by changes in the prices of these commodities. Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include current and expected future supply and demand, forward selling by producers, production cost levels in major metal producing centers as well as macroeconomic conditions such as inflation and interest rates.

Furthermore, the international prices of most commodities are denominated in United States dollars while the Company cost base will be in Australian dollars. Consequently changes in the Australian dollar exchange rate will impact on the earnings of the Company. The

exchange rate is affected by numerous factors beyond the control of the Company, including interest rates, inflation and the general economic outlook.

Insurance Risks

The Company intends to adequately insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance of all risks associated with oil and gas exploration and production is not always available and where available the costs can be prohibitive.

Commercialisation Risks

Even if the Company discovers commercial quantities of oil and gas, there is a risk the Company will not achieve a commercial return. The Company may not be able to transport the oil and gas at a reasonable cost or may not be able to sell the oil and gas to customers at a rate which would cover its operating and capital costs. The Company has to receive regulatory and environmental approval to convert its exploration permits into production concessions. There is a risk that these approvals may not be obtained.

Competition Risk

The industry in which the Company will be involved is subject to domestic and global competition. While the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

No Profit to Date

The Company has incurred losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. Since the Company intends to continue investing in its exploration and development program the Directors anticipate making further losses in the foreseeable future.

While the Directors have confidence in the future revenue-earning potential of the Company, there can be no certainty that the Company will achieve or sustain profitability or achieve or sustain positive cash flow from its operating activities.

Future Capital Needs

Further funding of projects may be required by the Company to support its ongoing activities and operations. There can be no assurance that such funding will be available on satisfactory terms or at all. Any inability to obtain funding will adversely affect the business and financial condition of the Company and, consequently, its performance. A failure to meet cash calls would result in default in joint venture obligations which, if not remedied, could result in forfeiture of permits or concessions.

Environmental Risks

The Company's projects are subject to laws and regulations regarding environmental matters in the country's jurisdiction. Many of the activities and operations of the Company cannot be carried out without prior approval from and compliance with all relevant authorities. The Company intends to conduct its activities in an environmentally responsible manner and in

accordance with all applicable laws. However, the Company could be subject to liability due to risks inherent to its activities, such as accidental spills, leakages or other unforeseen circumstances.

Economic and Government Risks

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the exploration and mining industries including, but not limited to, the following:

- general economic conditions in Australia, overseas and its major trading partners;
- changes in Government policies, taxation and other laws;
- the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the commodities (resources) sector;
- movement in, or outlook on, interest rates and inflation rates; and
- natural disasters, social upheaval or war in Australia or overseas.



Managing Risk

The company employs executives and retains consultants each with the requisite experience and qualification to enable the company to manage the risks to the company.

Risks to the company are reviewed at regular Board and Board Committee meetings.

Internal Compliance and Control Systems

The board appoints the audit committee to monitor and assess the accounting, financial and internal controls of the Company.

The audit committee shall discuss with management, the internal auditors (if any), and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (including the Company's Code of Conduct). Any opinion obtained from the internal or external auditors on the company's choice of accounting policies or methods should include an opinion on the appropriateness and not just the acceptability of that choice or method.

The committee shall meet separately periodically with management, the internal auditors, and the external auditors to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The committee shall provide sufficient opportunity for the internal auditors and the external auditors to meet privately with the members of the committee. The committee shall review with the external auditor any audit problems or difficulties and management's response.

The committee shall receive regular reports from the external auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.



CORPORATE GOVERNANCE REMUNERATION POLICY

The Board recognises that Grand Gulf Energy Limited (“GGE” or “Company”) operates in a global environment. To prosper, the Company must be able to attract, motivate and retain suitably qualified executives.

The key principles that underpin the Company’s remuneration policy are:

- That rewards reflect the competitive market in which the Company operates.
- That demanding key performance indicators apply to delivering results across the Company and to a significant portion of the total reward.
- That rewards to executives be linked to the creation of value to shareholders.
- That executives be rewarded for both financial and non-financial performance.
- That remuneration arrangements ensure equity between executives and facilitate the deployment of human resources.

GGE’s reward structure combines base salary and short-term and long-term incentive plans. The cost and value of components of the remuneration package are considered as a whole and are designed to ensure an appropriate balance between fixed and variable performance-related components, linked to short-term and long-term objectives and to reflect market competitiveness. Details of the policy applied in each component are outlined below.

1. Base Salary

Base salaries are quantified by reference to the scope and nature of an individual’s role, performance and experience. The board actively seeks market data to benchmark salary levels. Particular consideration is given to mobility and location.

2. Incentive Plans

An employee share option plan (ESOP) has been adopted by the company, where eligible persons are issued with options over the ordinary shares of GGE. The object of a plan will be to assist in the recruitment, reward, retention and motivation of employees and officers of the Company.

The board establishes the eligibility of the ESOP as follows:

- (a) The board may from time to time in its absolute discretion decide:
 - (i) whether it is appropriate for an Eligible Person to participate in the Plan;
 - (ii) (whether or not the Eligible Person is already a Holder) the number of Options the Eligible Person is to be invited to apply for at any time;
 - (iii) the Exercise Conditions (if any), Vesting Period (if any) and Exercise Period to apply to the Options the Eligible Person is to be invited to apply for; and

- (iv) the Exercise Price for each Option, but the Exercise Price must not be less than either:
 - a Minimum Price; or
 - the Market Price of 1 Share at the date the Committee decides to invite the Eligible Person to apply for the Option.

(b) In deciding the matters in (a), the board must consider:

- (i) the Eligible Person's position with the Company and the services provided to the Company by the Eligible Person'
- (ii) the Eligible Person's record of employment or service with the Company;
- (iii) the Eligible Person's potential contribution to the growth of the Company; and
- (iv) any other matters which tend to indicate the Eligible Person's merit.

Other incentive plans including partly paid shares, share purchase loans or other schemes may be utilised to provide longer-term incentives and rewards to executives and directors. Shareholder approval will be obtained in each case as required by law.

Executives are paid according to market and experience.

In view of the contribution of the non-executive directors and advancing the interest in the company, GGE considers that the non-executives may continue to be rewarded with options. It is not considered that this will significantly affect their independence in light of their experience and reputation.



