

GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

ENTITLEMENT ISSUE

A partially underwritten pro rata non-renounceable entitlement issue of one (1) Share for every two (2) Shares held by Shareholders for the issue of up to 470,357,099 Shares at an issue price of 1.5 cents per Share to raise up to \$7,055,356 (**Entitlement Issue**).

PARTIAL UNDERWRITING

This Issue is partially underwritten up to a maximum of \$4,500,000. Refer to section 7.2 of this Prospectus for a summary of the terms of the underwriting agreements (**Underwriting Agreements**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES

Lodgement of Prospectus with ASIC	10 August 2010
Notice sent to Shareholders	12 August 2010
Ex Date	13 August 2010
Record Date for determining Shareholder entitlements	19 August 2010
Prospectus despatched to Eligible Shareholders	20 August 2010
Closing Date of Offer	6 September 2010
Notify ASX of under-subscriptions	8 September 2010
Despatch date/Shares entered into Shareholders' security holdings	9 September 2010

* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days prior notice.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 10 August 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 10 September 2011 (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

KEY RISKS

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of specific risks, including (but not limited to):

- the ability to obtain future funding;
- exploration risks;
- resource estimates;
- commodity prices and exchange rates;
- government actions; and
- market conditions.

Details of these risks and other risks are set out in Section 6 of this Prospectus and investors are urged to consider those risks carefully (and, if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 6 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered highly speculative.

2. CORPORATE DIRECTORY

Directors

Charles Morgan - Chairman
James Trimble – Managing Director
Stephen Keenihan – Non-Executive Director
Allan Boss – Non-Executive Director

Company Secretary

Mark Freeman

Registered Office

Ground Floor
1292 Hay Street
West Perth WA 6005

T +61 (0) 8 9324 1177
F +61 (0) 8 9324 2171

Principal Office

Grand Gulf Energy Inc
4900 Woodway, Ste 1040
Houston, TX 77056

Share Registry*

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

Telephone: (08) 9389 8033

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Building
16 Milligan Street
PERTH WA 6000

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

*This party has been included for information purposes only. It has not been involved in the preparation of this Prospectus.

3. DETAILS OF THE OFFER

3.1 Entitlement Issue

By this Prospectus, the Company offers for subscription approximately 470,357,099 new Shares pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one (1) new Share for every two (2) Shares held on the Record Date at an issue price of \$0.015 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Entitlement Issue is approximately 470,357,099. The Entitlement Issue will raise approximately \$7,055,356. The purpose of the Entitlement Issue and the use of funds raised are set out in Section 4 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Entitlement Issue. The Company currently has 185,775,000 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Entitlement Issue.

3.2 How to Accept the Entitlement Issue

Your acceptance of the Entitlement Issue must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Entitlement Issue as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at \$0.015 per Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Grand Gulf Energy Limited – Trust Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5.00pm WST on the Closing Date. The details of the Company's share registry are as follows:

Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009

The Entitlement Issue is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

3.3 Minimum Subscription for Offer

The minimum subscription in respect of the Offer is \$4,500,000.

3.4 Partial Underwriting

The Company has entered into individual Underwriting Agreements with the following:

- (a) Skye Equity Pty Ltd (**Skye Equity**), to underwrite up to a maximum of \$2,000,000 (133,333,333 Shortfall Shares);
- (b) Seaspin Pty Ltd (**Seaspin**), a company 100% controlled by the Company's Chairman, Mr Charles Morgan, to underwrite up to a maximum of \$2,000,000 (133,333,333 Shortfall Shares);
- (c) The SL & SJ Keenihan Family Trust (**The Keenihan Family Trust**), a trust partly controlled by Mr Stephen Keenihan, a Director of the Company, to underwrite up to \$250,000 (16,666,667 Shortfall Shares); and
- (d) Meccano Pty Ltd (**Meccano**), to underwrite up to a maximum of \$250,000 (16,666,667 Shortfall Shares).

The Offer will be underwritten up to a maximum of \$4,500,000, being a total of 300,000,000 Shortfall Shares.

Further details of the Underwriting Agreements are set out in Section 7.2 of this Prospectus. Details of the current and potential voting power of the Underwriters are set out at Section 7.3 of this Prospectus. Details of the current intention of the Underwriters are set out in Section 7.4 of this Prospectus.

3.5 Shortfall under Entitlement Issue

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall and will be dealt with by Directors. The Directors reserve the right to issue Shortfall Shares at their absolute discretion.

The offer of the Shortfall is a separate offer pursuant to this Prospectus and will remain open for up to three (3) months following the Closing Date. The issue price of the Shortfall Shares offered pursuant to the Shortfall Offer shall be \$0.015 cents being the price at which the Entitlement Issue has been offered to Shareholders pursuant to this Prospectus.

While the Directors intend to deal with applications for the Shortfall in a fair and equitable manner as between the existing Shareholders, the Directors reserve the right to allot to an Applicant under the Shortfall Offer a lesser number of Shortfall Shares than the number for which the Applicant applies, or to reject an Application, or to not proceed with placing the Shortfall (subject to the Underwriting Agreements).

3.6 Commissions Payable

The Company reserves the right to pay a commission of 5% (exclusive of goods and services tax) of amounts subscribed to any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

3.7 Australian Securities Exchange Listing

Application for official quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

3.8 Allotment of Shares

Shares issued pursuant to the Offer will be allotted as soon as practicable after the respective Closing Date outlined in Section 1. Shares under the Entitlement Issue will be allotted on the basis of a Shareholder's Entitlement. Any Shortfall under the Offer not taken up by the Shareholders will be filled by the Underwriters up to a maximum amount of \$4,500,000 in accordance with the Underwriting Agreements as summarised in section 7.2.

Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

3.9 New Zealand Shareholders

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

As noted in the Prospectus at Section 3.7, the Company will apply to the ASX for quotation of the Shares offered under this Prospectus. If quotation is granted, the Shares offered under this Prospectus will be able to be traded on the ASX. If you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. As the ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

3.10 Shareholders outside Australia and New Zealand

The Company is of the view that it is unreasonable to make an offer under this Prospectus to Shareholders outside of Australia and New Zealand (**Ineligible Shareholders**) having regard to:

- (a) the cost of complying with legal and regulatory requirements outside Australia and New Zealand;
- (b) the number of Ineligible Shareholders; and
- (c) the number and value of Shares which could be offered to Ineligible Shareholders.

Accordingly, this Prospectus and accompanying Entitlement and Acceptance Form do not, and are not intended to, constitute an offer of Shares in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

No action has been taken to register or qualify the Entitlements or Shares, or to otherwise permit an offering of the Entitlements or Shares, outside of Australia and New Zealand. The Entitlements or Shares may not be offered in a jurisdiction outside Australia and New Zealand where such offer is not made in accordance with the laws of that place.

The distribution of this Prospectus in jurisdictions outside of Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Eligible Shareholders outside Australia and New Zealand (**Overseas Eligible Shareholders**) who wish to participate in the Offer have the following options:

- (a) the Applicant may apply for Shares in accordance with the procedure set out in Section 3 provided the Applicant has obtained all necessary approvals for the allotment and issue of the Shares in the Applicant's jurisdiction. The return of a completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained; or
- (b) the Applicant may instruct the Company to issue the Shares to which the Applicant applies for under the Offer to a nominee appointed by the Company. The nominee will sell the Shares on market on behalf of the Applicant immediately following the allotment and issue of such Shares and distribute the proceeds to the Applicant net of sale expenses. There is no requirement for the Applicant to obtain any approvals in their jurisdiction should they elect this option to participate in the Offer.

In compliance with section 615 of the Corporations Act, the Company has appointed Argonaut Securities Pty Ltd, on normal commercial terms, as the nominee for the Overseas Eligible Shareholders, to arrange for the sale of the Shares which would have been offered to the Overseas Eligible Shareholders pursuant to their Entitlements. The Company has applied to the ASIC for their approval of the nomination.

Any interest earned on the proceeds of the sale of these Shares will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the Company.

The Nominee will have the absolute and sole discretion to determine the timing and the price at which the Shares may be sold and the manner in which any sale is made. Neither the Company nor Argonaut Securities Pty Ltd (as the Nominee) will be liable for a failure to sell Shares or to sell Shares at any particular price. If, in the reasonable opinion of Argonaut Securities Pty Ltd (as the Nominee), there is no viable market for the Shares of Overseas Eligible Shareholders, or a surplus over the expenses of sale cannot be obtained for the Shares that would have been offered to the Overseas Eligible Shareholders, then those Shares which would have been offered to the Overseas Eligible Shareholders pursuant to their Entitlements will be allowed to lapse and they will form part of the Shortfall to be dealt with under the terms of the Underwriting Agreements as summarised in Section 7.2.

3.11 Taxation Implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional

tax adviser in connection with the taxation implications of the Shares offered pursuant to this Prospectus.

3.12 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.13 Risk factors

Prospective investors in the Company should be aware that subscribing for Securities the subject of this Prospectus involves a number of risks. These risks are set out in detail in Section 6 of this Prospectus and investors are urged to consider those risks carefully (and if necessary, consult their professional advisers) before deciding whether to invest in the Company.

The risk factors set out in Section 6 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Securities. Accordingly, an investment in the Company should be considered speculative.

3.14 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the

application for Shares, the Company may not be able to accept or process your application.

4. PURPOSE OF THE OFFER

4.1 Purpose of the Offer

Assuming no existing Options are exercised prior to the Record Date and full subscription is reached, the issue of Shares under this Prospectus will raise approximately \$7,055,356 before expenses.

The funds raised by the Entitlements Issue will be used for the following purposes:

- (a) to fund exploration activities on the Napoleonville Salt Dome Project in Louisiana, USA (**Napoleonville**); and
- (b) to meet the costs of the Entitlements Issue.

4.2 Use of Funds

The funds raised under the Offer (up to \$7,055,356) will be applied as follows:

Funds Raised	Minimum Subscription (\$)¹	Maximum Subscription (\$)
Napoleonville drill programme	3,124,000	6,314,400
Corporate and Administration	350,000	400,000
Working Capital	100,840	116,196
Expenses of the Offer	225,160	225,160
Total	4,500,000	7,055,356

Notes to the Use of Funds

1. The minimum subscription of \$4,500,000 reflects the underwritten component of the Offer.
2. Where more than the minimum subscription but less than the maximum subscription is raised, the Company will firstly apply such additional funds as follows:
 - (a) firstly, to the Napoleonville drill programme (up to \$2,490,000);
 - (b) secondly, to the administration of the Company (up to \$50,000); and
 - (c) thirdly, to the increased expenses of the Offer and working capital (any amount remaining).
3. Refer to Section 7.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

4.3 Effect of the Offer and Pro Forma Consolidated Balance Sheet

The principal effect of the Offer, assuming the full subscription for both the Entitlement Issue will be to:

- (a) increase the cash reserves by approximately \$6,830,106 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 940,714,198, to approximately 1,411,071,297 Shares following completion of the Offer.

4.4 Consolidated Balance Sheet

The unaudited Balance Sheet as at 31 May 2010 and the unaudited Pro Forma Balance Sheet as at 31 May 2010 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares pursuant to the Offer in this Prospectus are issued.

The unaudited Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

**Consolidated Balance Sheet and Pro Forma Balance Sheet as at 31 May 2010
(unaudited)**

	Note	31 May 2010 Actual \$	31 May 2010 Pro-forma \$
CURRENT ASSETS			
Cash and cash equivalents	4.3(a)	1,257,128	8,087,324
Trade and other receivables		156,844	156,844
Other		374,503	374,503
TOTAL CURRENT ASSETS		1,788,475	8,618,671
NON-CURRENT ASSETS			
Plant and equipment		1,150	1,150
Exploration and evaluation costs		8,500,192	8,500,192
TOTAL NON-CURRENT ASSETS		8,501,342	8,501,342
TOTAL ASSETS		10,289,817	17,120,013
CURRENT LIABILITIES			
Trade and other payables		202,781	202,781
Borrowings		2,370,047	2,370,047
TOTAL CURRENT LIABILITIES		2,572,828	2,572,828
NON-CURRENT LIABILITIES			
Provisions		12,904	12,904
TOTAL NON-CURRENT LIABILITIES		12,904	12,904
TOTAL LIABILITIES		2,585,732	2,585,732
NET ASSETS		7,704,085	14,534,281
EQUITY			
Issued capital	4.3(b)	28,684,875	35,515,071
Reserves		2,506,170	2,506,170
Accumulated Losses		(23,486,960)	(23,486,959)
TOTAL EQUITY		7,704,085	14,534,282

4.5 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares

	Number
Shares on issue at date of Prospectus	940,714,198
Shares offered pursuant to the Entitlement Issue ¹	470,357,099
Total Shares on issue after completion of the Offer	1,411,071,297

Notes:

1. Entitlement Issue is assumed to be fully subscribed.

Options

	Number
Exercisable at \$0.08 on or before 31 December 2010	2,200,000
Exercisable at \$0.10 on or before 31 December 2010	1,900,000
Exercisable at \$0.12 on or before 31 December 2010	900,000
Exercisable at \$0.04 on or before 18 September 2012	45,000,000
Exercisable at \$0.04 on or before 26 November 2012	13,775,000
Exercisable at \$0.05 on or before 5 June 2013	6,000,000
Exercisable at \$0.05 on or before 24 November 2013	1,000,000
Exercisable at \$0.009 on or before 15 March 2014	40,000,000
Exercisable at \$0.009 on or before 6 May 2014	75,000,000
Total Options on issue after completion of the Offer	185,775,000

5. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES

5.1 Terms of Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

5.2 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

5.3 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

5.4 Dividend Rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the

Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

5.5 Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

5.6 Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

5.7 Future Increase in Capital

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

5.8 Variation of Rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6. RISK FACTORS

Whilst the Directors recommend that Shareholders and investors apply for Shares offered under this Prospectus, Shareholders and potential investors are reminded that the Shares should be considered speculative because of the nature of the Company's business. A number of material risk factors are set out below. This list is not exhaustive and potential Applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Shares.

6.1 Obtaining Future Funding

The Company's ongoing activities will require substantial expenditures. There can be no guarantees that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy including repayment obligations under residual debt facilities. If the Company is unable to use debt or equity to fund expansion or meet its repayments obligations after the substantial exhaustion of the net proceeds of the Offer, there can be no assurances that the Company will have sufficient capital for that purpose, or other purposes, or that it will be able to obtain additional capital on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's overall business strategy and could have a material adverse effect on the Company's proposed activities and asset position. The Company continues to be in discussions with a number of parties regarding future funding arrangements and alternatives.

6.2 Exploration Success

Shareholders and potential investors should understand that hydrocarbon exploration and development is a high-risk undertaking.

There can be no assurance that the Company's exploration activities, will result in the discovery of an economic hydrocarbon resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

6.3 Commercialisation

Even if the Company recovers potentially commercial quantities of oil and gas, there is no guarantee that the Company will be able to successfully transport the oil and gas to commercially viable markets or sell the oil and gas to customers to achieve a commercial return.

6.4 Reserves and Resource Estimates

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn,

adversely affect the Company's operations.

6.5 Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to oil and gas production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks.

Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for oil and gas, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, prices of commodities in the United States of America (US) are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken to account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

6.6 Environmental Risks

The operations and proposed activities of the Company will be subject to US laws and regulations concerning the environment. As with most exploration projects and production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or field development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

6.7 Government Actions

The impact of actions by governments may affect the Company's activities including such matters as access to lands and infrastructure, compliance with environmental regulations, taxation and royalties.

6.8 General Economic Conditions

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors, which may contribute to that general economic climate, include movements in interest rates and currency exchange rates and the overall state of the equity/debt capital markets that the Company may rely on to fund current and future activity.

6.9 ASX Share Investment Risk

There are various risks associated with investing in any form of business and with investing in the stock market generally. The value of the Shares will depend upon general stock market and economic conditions as well as the specific performance of the Company. There is no guarantee of profitability, dividends, return of capital, or the price at which the Shares will trade on ASX in the future.

6.10 Market Fluctuations

The market value of tradeable securities is subject to market fluctuations.

General economic conditions and stock market fluctuations may also impact the ability to procure the requisite project funding.

6.11 Reliance on Key Personnel

The Company's prospects depend in part on the ability to attract senior management to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional high qualified management and continue to implement and improve operational, financial and management information systems. In the event that the Company is unsuccessful in achieving these goals, this may have an adverse effect of the Company and its financial performance.

6.12 Managing Growth

The Company's success will depend on its ability to expand its operations. If the Company is unable to successfully manage the expansion of its business, its financial condition and results of operations could be materially adversely affected.

6.13 Tax

Any change to the current rate of company income tax in the jurisdictions where the Company operates will impact on financial performance and cash flows, the ability to pay dividends and the price of securities which could impact investor returns. Any changes to the current rates of income tax applying to individuals will similarly impact on investor returns. In addition, any change in tax arrangements between Australia and other jurisdictions could have an adverse impact on any future net profit after tax and net operating cash flows.

6.14 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the securities offered under this Prospectus.

Accordingly, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities. Shareholders should consider that any investment pursuant to this Prospectus is speculative and should consult their professional advisers before deciding whether to apply for Shares.

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2009 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for

the year ended 30 June 2009 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2009 audited financial statements:

Date	Description of Announcement
04/08/2010	\$7M CAPITAL RAISING TO FUND EXPANDED DRILLING PROGRAM
03/08/2010	Trading Halt
02/08/2010	Napoleonville Well Discovery Update
02/08/2010	GGP: Napoleonville Salt Dome - Discovery Update
30/07/2010	Quarterly Activities / Cashflow Reports
26/07/2010	Change in directors interests and substantial holdings
22/07/2010	GGP: Napoleonville Salt Dome Drilling Update
22/07/2010	Napoleonville Well Update
09/07/2010	Napoleonville Well Discovery
09/07/2010	GGP: Napoleonville Salt Dome Well Discovery
05/07/2010	GGP: NAPOLEONVILLE SALT DOME DRILLING UPDATE
05/07/2010	NAPOLEONVILLE DRILLING UPDATE
01/07/2010	Napoleonville Gas Shows
01/07/2010	GGP: NAPOLEONVILLE SALT DOME GAS SHOWS
29/06/2010	Napoleonville Well Drilling Update
29/06/2010	GGP: NAPOLEONVILLE SALT DOME DRILLING UPDATE
23/06/2010	GGP: Napoleonville Salt Dome Well Spudded
23/06/2010	Napoleonville Well Spudded
11/06/2010	Appendix 3B
11/06/2010	GGP:Napoleonville Salt Dome Well to commence within two weeks

11/06/2010	Napoleonville Drilling Project Update
21/05/2010	Napoleonville Drilling Project Update
17/05/2010	Change of Registered Address
07/05/2010	Appendix 3B
30/04/2010	March Quarterly Activities and Cashflow Report
23/04/2010	Results of Meeting
22/04/2010	Management Changes
20/04/2010	Change in substantial holdings x 2
19/04/2010	Ceasing to be a substantial holder
16/04/2010	Response to ASX Price Query
14/04/2010	Becoming a substantial holder
14/04/2010	GGP: Napoleonville Salt Dome-First Well to be Drilled in May
07/04/2010	Change of Director`s Interest Notice - Amended
07/04/2010	Change of Director`s Interest Notice
06/04/2010	Placement raising \$1m completed
29/03/2010	Ceasing to be a substantial holder from MQG
25/03/2010	Allotment and Issue Of Entitlement Issue Shares
24/03/2010	Notice of General Meeting
22/03/2010	Change in substantial holding from MQG
19/03/2010	Entitlement Issue Acceptances
18/03/2010	Share Issue to Convert Loans Provided
16/03/2010	Half Year Financial Statements
05/03/2010	Supplementary Prospectus
05/03/2010	Golden Gate Petroleum Farms in to Napoleonville Project
05/03/2010	GGP: Acquisition of 15% Interest in Napoleonville Salt Dome
26/02/2010	Prospectus and Entitlement Forms despatched to Shareholders
18/02/2010	Entitlement Issue Notice Letters to Share and Option Holders
18/02/2010	Results of General Meeting
16/02/2010	Non Renounceable Entitlement Issue and Placement Prospectus

21/01/2010	December Quarterly Activity Report and Cashflow
20/01/2010	Notice of Meeting
12/01/2010	Reinstatement to Official Quotation
12/01/2010	Grand Gulf Financing and Napoleonville
21/12/2009	Suspension from Official Quotation
17/12/2009	Trading Halt
04/12/2009	Change in substantial holding from MQG
02/12/2009	Change of Interests of Substantial Holders x 2
02/12/2009	Change of Director's Interest Notice x 4
02/12/2009	Appendix 3B
27/11/2009	Results of Annual General Meeting
26/11/2009	Macquarie Bank Facility
13/11/2009	Response to ASX Query re Appendix 3B
29/10/2009	September 09 Quarterly Activity Report and Cashflow

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.grandgulfenergy.com.

7.2 Underwriting Agreements

On 3 August 2010, the Company entered into individual Underwriting Agreements with the following:

- (a) Skye Equity, to underwrite up to a maximum of \$2,000,000 (133,333,333 Shortfall Shares);
- (b) Seaspin, an entity 100% controlled by the Company's Chairman, Mr Charles Morgan, to underwrite up to a maximum of \$2,000,000 (133,333,333 Shortfall Shares);
- (c) The Keenihan Family Trust, a trust partly controlled by Mr Stephen Keenihan, a Director of the Company, to underwrite up to \$250,000 (16,666,667 Shortfall Shares); and
- (d) Meccano, to underwrite up to a maximum of \$250,000 (16,666,667 Shortfall Shares).

The Offer will be underwritten up to a maximum of \$4,500,000, being a total of up to 300,000,000 Shortfall Shares (**Total Shortfall Amount**).

An underwriting fee of 5% will be payable to each of the Underwriters. If the available Shortfall is less than the Total Shortfall Amount under all the Underwriting Agreements, the available Shortfall will be allocated to each Underwriter pro-rata to their respective underwriting commitment.

The Underwriters are entitled to terminate their respective Underwriting Agreements upon the occurrence of any one or more of the termination events:

(Prospectus): the Company does not dispatch the Prospectus to Shareholders on the dispatch date or the Prospectus or the Offer is withdrawn by the Company;

(No Quotation Approval): the Company fails to lodge an Appendix 3B in relation to the Entitlement Shares with ASX by the time required by the Corporations Act, the Listing Rules or any other regulation;

(Restriction on allotment): the Company is prevented from allotting the Entitlement Shares within the time required by this Agreement, the Corporations Act, the Listing Rules, and statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental agency or authority;

(Default): default of breach by the Company under this Agreement of any terms, condition, covenant or undertaking;

(Contravention of constitution or Act): a contravention by a relevant company of any provision of its constitution, the Corporations Act, the Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;

(Prescribed Occurrence): a prescribed occurrence occurs;

(Event of Insolvency): an event of insolvency occurs in respect of a relevant company;

(Judgement against a Relevant Company): a judgement in an amount exceeding US\$200,000.00 is obtained against a relevant company and is not set aside or satisfied within 7 days;

(Breach of Material Contracts): any of the material contracts to which the Company is a party is terminated or substantially modified;

(Movement in the S&P/ASX 200 Energy (XEJ) Index): the S&P/ASX 200 Energy (XEJ) Index of ASX is at any time on any 4 consecutive Business Days prior to allotment of the Shares 85% or less of the level that Index attained at the close of trading on the Business Day before the date of signing this agreement; or

(Movement in the WTI Cushing Spot Price of Oil): the WTI Cushing Spot Price of Oil is at any time on any 4 consecutive Business Days prior to allotment of the Shares 85% or less than the spot price attained at the close of trading on the Business Day before the date of signing this agreement.

7.2.1 Seaspin Loan Agreement

The Company has entered into a convertible loan (**Loan**) with Seaspin pursuant to which Seaspin has agreed to provide the Company with a loan of up to \$1,500,000 to assist the Company with its short-term working capital requirements.

Subject to the terms of the Underwriting Agreement dated 3 August 2010 between the Company and Seaspin (**Underwriting Agreement**), the Loan will automatically convert to the Shortfall Shares required to be subscribed for and in addition at the direction of Seaspin to any Entitlements being subscribed for by Seaspin or its nominees.

In the event the Company fails to complete the Offer, and subject to shareholder approval, Seaspin will have the right to convert the Loan to Shares at 1.5 cents each, or alternatively, Seaspin may at any time thereafter demand repayment of the Loan and interest within 30 days of notice of such demand.

Interest is payable on the Loan at the rate of 12% per annum.

7.3 Current and Potential Voting Power of the Underwriters

Seaspin is 100% controlled by the Company's Chairman, Charles Morgan. Seaspin and its associates currently have a relevant interest in 79,216,470 Shares, representing 8.4% of the voting power in the Company. Pursuant to the terms of Seaspin's Underwriting Agreement, Seaspin has agreed to underwrite up to 142,857,143 Shortfall Shares, raising a total of \$2,000,000 under the Offer.

Skye Equity and its associates currently have a relevant interest in 119,644,228 Shares, representing 12.7% of the voting power in the Company. Pursuant to the terms of Skye Equity's Underwriting Agreement, Skye Equity has agreed to underwrite up to 142,857,143 Shortfall Shares, raising a total of \$2,000,000 under the Offer.

The Keenihan Family Trust, a trust partly controlled by a Director of the Company, Mr Stephen Keenihan, and its associates currently have a relevant interest in 14,160,000 Shares, representing 1.5% of the voting power of the Company. Pursuant to the terms of The Keenihan Family Trust Underwriting Agreement, The Keenihan Family Trust has agreed to underwrite up to 16,666,667 Shortfall Shares, raising a total of \$250,000 under the Offer.

Meccano and its associates currently have a relevant interest in 20,000,000 Shares, representing 2.1% of the voting power of the Company. Pursuant to the terms of Meccano Underwriting Agreement, Meccano has agreed to underwrite up to 16,666,667 Shortfall Shares, raising a total of \$250,000 under the Offer.

The potential effect that the issue of Shares under the Offer will have on the control of the Company is as follows:

- (a) if all Shareholders take up all of the Entitlement under the Offer, the percentage interest in the Shares of the Company held by the Underwriters (and any other major Shareholders) would not change and there would not be any effect on the control of the Company; and
- (b) if some or all of the Shareholders do not take up their Entitlement under the Offer, and there is a Shortfall, then the Issue may have an effect on the control of the Company as detailed below.

In order to fully disclose the Underwriters' potential voting power in the Company on completion of the Offer, the table below sets out the potential voting power if either the minimum subscription or maximum subscription is raised. Investors should note that the potential voting power of the Underwriters will also be reduced to the extent that any Shortfall is applied for, and allocated, to the other Shareholders of the Company.

In the table below, it is assumed that the Underwriters and their associates will take up their full Entitlements as Shareholders under the Offer, each Underwriter will take up their respective maximum Shortfall and that no Options are exercised prior to the Record Date.

	Date of Prospectus	Minimum Subscription is raised (\$4,500,000)	Maximum Subscription is raised (\$7,055,356)
Shares held by Seaspin and its associates	79,216,470	252,158,038	252,158,038
Voting Power of Seaspin	8.4%	20.3%	17.9%
Shares held by Skye Equity and its associates	119,644,228	312,799,675	312,799,675
Voting Power of Skye Equity	12.7%	25.2%	22.2%
Shares held by Meccano and its associates	20,000,000	46,666,667	46,666,667
Voting Power of Meccano	2.1%	3.8%	3.3%
Shares held by The Keenihan Family Trust and its associates	14,160,000	37,906,667	37,906,667
Voting Power of The Keenihan Family Trust	1.5%	3.1%	2.7%

7.4 Intentions of Seaspin and Skye Equity as Underwriters

Seaspin and Skye Equity have both indicated that their current intentions are based on the facts and information regarding the Company and the general business environment which are known to them as at the date of this Prospectus. Any future decisions will, of course, be reached by Seaspin and Skye Equity based on all material information and circumstances at the relevant time. Accordingly, if circumstances change or new information becomes available in the future, Seaspin's and Skye Equity's intentions could change.

Seaspin and Skye Equity have both informed the Company that on the facts and circumstances presently known to them, they are supportive of the Company's current direction. Both have indicated that they are presently willing to consider any proposals the Company's Board and management may put forward as to how they could support and assist the Company towards its objectives.

Seaspin and Skye Equity have advised the Company that since they are presently supportive of the Company's current direction they do not currently intend to make any major changes to the direction and objectives of the Company, and that other than as disclosed in this Prospectus, they:

- (a) do not currently intend to make any significant changes to the existing businesses of the Company;
- (b) do not currently intend to inject further capital into the Company other than participating in the Offer and underwriting the Offer;

- (c) do not currently intend to become involved in decisions regarding the future employment of the Company's present employees and contemplate that they will continue in the ordinary course of business;
- (d) do not currently intend for any property to be transferred between the Company and either Seaspin and Skye Equity or any person associated with them;
- (e) do not currently intend to redeploy the fixed assets of the Company; and
- (f) do not currently intend to change the Company's existing financial or dividend policies.

Seaspin and Skye Equity will both make decisions on their course of action in light of material facts and circumstances at the relevant times and after they receive appropriate legal and financial advice on such matters, where required, including in relation to any requirement for Shareholder approvals.

The statements reflect current intentions only as at the date hereof which may change as new information becomes available or circumstances change or with the passage of time.

7.5 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement
Charles Morgan	79,216,470	Nil	39,608,235
James Trimble	109,674,291	Nil	54,837,146
Stephen Keenihan	14,160,000	1,000,000	7,080,000
Allan Boss	8,272,400	1,000,000	4,136,200

Notes:

1. Each of the Directors has indicated that it is their present intention to participate in

the Entitlement Issue.

2. Messrs Keenihan and Boss each hold 500,000 Options exercisable at 8 cents each and 500,000 Options exercisable at 10 cents each with both sets of Options expiring on or before 31 December 2010.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in a general meeting, to be divided among the Directors and in default of agreement then in equal shares.

In the last two (2) years the Company paid \$514,892 for the year ended 30 June 2010 (\$220,940 of which was accrued salaries and settled by issue of shares on 2 December 2009) and \$541,836 for the year ended 30 June 2009 (\$220,940 of which was accrued salaries and settled by issue of shares on 2 December 2009) to all Directors. For the period from 1 July 2009 to the date of this Prospectus no cash has been paid or is payable by the Company by way of remuneration for services provided by all Directors (executive, non-executive and alternate), companies associated with those Directors or their associates in their capacity as directors, employees, consultants or advisers (and including superannuation payments). As per the ASX announcement dated 2 December 2009, Directors were issued shares in lieu of salaries for the calendar year ended 31 December 2009. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

7.6 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus has performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, BDO Kendalls Audit & Assurance (WA) Pty Ltd has given, and has not withdrawn its consent to being named as Auditors to the Company in the Corporate Directory of this Prospectus. BDO

Kendalls Audit & Assurance (WA) Pty Ltd has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus or on which a statement is made in the Prospectus is based; and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name.

Pursuant to Section 716 of the Corporations Act, Advanced Share Registry Services has given, and has not withdrawn its consent to being named as the share registry to the Company in the Corporate Directory of this Prospectus. Advanced Share Registry Services has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus or on which a statement is made in the Prospectus is based; and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of Advanced Share Registry Services.

Pursuant to Section 716 of the Corporations Act, Argonaut Securities Pty Ltd has given, and has not withdrawn its consent to being named as the nominee to the Company in this Prospectus. Argonaut Securities Pty Ltd has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus or on which a statement is made in the Prospectus is based; and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of Argonaut Securities Pty Ltd.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus. Over the past two years, Steinepreis Paganin has been paid fees totalling \$70,165.00 (exclusive of GST and disbursements) for services provided to the Company.

7.7 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

7.8 Estimated Expenses of Offer

In the event that the Offer are fully subscribed, the estimated expenses of the Offer are as follows:

	\$
Brokerage	200,000
ASX fees	13,150
Legal expenses	7,100
Printing and other expenses	5,000
Total	<u>225,250</u>

7.9 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$ 0.021 on 21 July 2010

Lowest: \$ 0.011 on 30 June 2010

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was \$0.018 on 9 August 2010.

7.10 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8. AUTHORITY OF DIRECTORS

8.1 Directors' Consent

Each of the Directors of Grand Gulf Energy Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act

Dated the 10th day of August 2010



Stephen Keenihan
Director
Signed for and on behalf of
GRAND GULF ENERGY LIMITED

9. DEFINITIONS

Applicant means a Shareholder or other party who applies for Shares pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means the ASX Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5.00pm (WST) on 6 September 2010 (unless extended).

Company means Grand Gulf Energy Limited (ABN 22 073 653 175).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001*(Cth).

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Entitlement Issue.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Entitlement Issue means the partially underwritten pro-rata non-renounceable entitlement issue of one (1) new Share for every two (2) Shares held by Shareholders on the Record Date for the issue of up to 470,357,099 Shares at an issue price 1.5 cents per Share to raise approximately \$7,055,356.

Issue means the issue of Shares offered by this Prospectus.

The Keenihan Family Trust means the SL & SJ Keenihan Family Trust.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Meccano means Meccano Pty Ltd.

Napoleonville means the Napoleonville Salt Dome Project in Louisiana, USA.

Offer means the Entitlement Issue.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5.00pm (WST) on 19 August 2010.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares.

Seaspin means Seaspin Pty Ltd.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means the offer for the Shortfall pursuant to this Prospectus.

Shortfall Share means the Shares comprising the Shortfall.

Skye Equity means Skye Equity Pty Ltd.

Underwriters means Seaspin Pty Ltd, Skye Equity Pty Ltd, SL & SJ Keenihan Family Trust and Meccano Pty Ltd.

WST means Western Standard Time as observed in Perth, Western Australia.