



Grand Gulf Energy Limited

ABN 22 073 653 175

Annual Financial Report

for the financial year ended
30 June 2010

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CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY

Mr Mark Freeman

REGISTERED AND PRINCIPAL OFFICE

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ASX CODE

GGE

ABN

22 073 653 175

LETTER FROM CHAIRMAN

Dear Shareholder,

The last financial year has been focussed on rebuilding the company and has been a very positive one only marred by the blowout at the Dugas & Leblanc #1 discovery well subsequent to the end of the financial year.

Grand Gulf began the year as a purely Napoleonville Salt Dome Project focussed Company. The geological and geophysical team put in place at the company continued to work on a new interpretation of the Napoleonville Salt Dome well and seismic data. The results of this work reinforced the huge untapped potential of the Dome in the area covered by the company's 3D seismic survey acquired in 2007. It showed that there were many drilling locations around the dome that could hold oil and gas.

Macquarie Bank continued to support the Company during the year and I would like to thank them for this ongoing support in what has been trying circumstances.

In January 2010, Grand Gulf announced that it had entered into a number of agreements which included farming into half of Waterloo's interest in Napoleonville and taking over operatorship of the project. At this time Grand Gulf also announced capital raisings of \$2.9 million which were completed in April 2010.

In March 2010 Grand Gulf announced the farmout of a 15% interest in the Napoleonville Salt Dome Project to Golden Gate Petroleum on terms similar to its farm in to Waterloo. Grand Gulf had taken a large interest from Waterloo in order to gain operatorship of the project and the farm out to Golden Gate was to reduce its exposure in the overall cost of the project to a manageable level while retaining the role of overall project operator.

Mr Mark Freeman was appointed Company Secretary in April and has since taken a very hands on role with the company and its operations having spent a substantial amount of time in Houston. The board would like to thank both Mr Mark Pitts for his work as Company Secretary in the past under trying circumstances and Mr Mark Freeman for his ongoing work.

On 22nd June Grand Gulf was able to announce that, at last, the Dugas & Leblanc #1 well was spudded and later on 9th July that the well had encountered 120 feet of net oil and gas pay.

On the 4th August Grand Gulf announced an entitlements issue to raise approximately \$7 million to be underwritten by a number of investors including me.

However, while the well was being prepared to test, the well Operator, Mantle Oil and Gas announced that the well had started flowing of its own accord to atmosphere or in other words the well blew out.

Subsequent to this event, many costs have been incurred in controlling the well and drilling a replacement well, Dugas & Leblanc #2. It is likely that most, if not all, of these costs will be covered by insurance. However, due to a number of uncertainties regarding the site clean-up cost amongst other matters and a class action being filed, the final cost of this incident is likely to be unclear for some time. As of the date of writing neither the parent company or its Texas subsidiary has been named as a defendant in any lawsuit relating to the blowout. We will vigorously defend any action that might be brought against us by virtue of our joint venture interest in the Napoleonville Salt Dome Project. The board is mindful of its obligations to investors and will immediately update ASX as and when information becomes available.

Due to the uncertainty of the company's liability, if any, with respect to the blowout, closing of the entitlements issue has been postponed (at date of writing) to the 5th October

Meanwhile, Grand Gulf is continuing with its development of the Napoleonville Salt Dome Project and remains very excited about its potential and believes that it will deliver positive returns to shareholders.

DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2010

Investors in the company including me have continued to support the company by way of loans while the entitlements issue is underway but delayed.

I personally wish to thank Jim Trimble, our Managing Director and CEO, KC Whittemore and Ruble Clark, our G&G team, Keith Maclvor, our resident engineer, Tim Austin, our landman and of course Stephen Keenihan and Allan Boss, our non-executive directors for all of their work this year and for our shareholders for bearing with us.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'C Morgan', with a small dot at the end.

Charles Morgan
Chairman

The Directors of Grand Gulf Energy Limited submit herewith the annual financial report of the Group consisting of Grand Gulf Energy Limited and the entities it controlled at the end of, or during the year ended 30 June 2010 (referred to hereafter as the group).

DIRECTORS

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

Mr Charles Morgan

Non-Executive Director and Chairman
Appointed 19 January 2006

Mr Morgan is an experienced oil and gas investor and a listed company director. He founded Golden Triangle Energy Inc, now Grand Gulf Energy Inc, a wholly owned subsidiary of the group. Mr Morgan also holds the position of Chairman in the following companies: Alcyone Resources Ltd and Latent Petroleum Pty Ltd.

During the past three years Mr Morgan also held a directorship in Commoditel Limited, Jutt Holdings Limited and Gateway Capital Limited (now Gateway Pty Ltd).

Mr James Trimble

Managing Director & CEO
Appointed 22 February 2006

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

Mr Trimble has over 35 years of experience in the oil and gas industry serving initially in operational and engineering roles, and has served in many management roles. Mr Trimble served as a senior executive of Cabot Oil & Gas Company, directing the company in its exploration efforts and implementing a 3D seismic program that resulted in finding 500 BCF of potential reserves.

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

Mr Allan Boss

Non-Executive Director
Appointed 13 November 2006

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

Former directorships in last 3 years – none.

Mr Stephen Keenihan

Non-Executive Director
Appointed 13 November 2006

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

Former directorships in last 3 years – none.

COMPANY SECRETARY

Mr Mark Freeman

Company Secretary
Appointed 22 April 2010

Mr Freeman replaced Mr Mark Pitts as Company Secretary on 22 April 2010. Mr Freeman is a Chartered Accountant and has more than 15 years' experience in corporate finance and the resources industry. He has experience in strategic planning, business development, acquisitions and mergers, gas commercialisation, and project development general management. Prior and current experience with Quest Petroleum NL, Golden Gate Petroleum Ltd, Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources Ltd and Matra Petroleum plc. In addition, Mr Freeman is a graduate of the University of Western Australia with a Bachelor of Commerce with a double major in Banking & Finance and Accounting as well as holding a Graduate Diploma in Applied Finance with a major in Corporate Finance from the Financial Services Institute of Australasia.

Mr Mark Pitts

Company Secretary
Appointed 31 January 2008, resigned 22 April 2010

CORPORATE INFORMATION

Corporate Structure

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

Nature of Operations and Principal Activities

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

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

REVIEW AND RESULTS OF OPERATIONS

For the financial year ending 30 June 2010, the loss attributable to members of the Group is \$1,544,236 (2009: loss \$7,657,440).

Review of operations of Grand Gulf Energy Limited consolidated group

Waterloo Farm-in

During the year Grand Gulf executed an agreement with Waterloo Oil & Gas LLC to earn 50% of Waterloo's interest (ie 21.57% WI) in Napoleonville and become operator of the Salt Dome Project and retain operatorship once the full farm-in obligations have been met. The earn-in requires Grand Gulf to carry Waterloo for a maximum of \$US4,000,000 of well and project costs.

Golden Gate Petroleum Farm-out

On 5 March 2010, the Company has executed a letter of intent with Golden Gate Petroleum Ltd (Golden Gate). Golden Gate will pay 23% of costs to earn a 15% working interest (ie 8% promote) with an entry fee of US\$300,000 payable to earn an interest in the first three prospects. Golden Gate will have the option to participate in the subsequent three well programs on the same terms and can ultimately earn a 15% working interest over the entire dome. Golden Gate will ultimately pay up to US\$3,000,000 towards the Company's share of well and project costs.

Napoleonville Well Programme

As a result of the above agreements Grand Gulf has an average of 39.5% working interest in the Napoleonville Salt Dome. The Company has participated in drilling of two wells and recently commenced a third well. The progress of those wells is summarised below.

Napoleonville-- Dugas & Leblanc Well #1, Assumption Parish, Louisiana, Non-Operator 39.5% WI

The Company drilled and logged over 120ft of pay (both oil and gas) over three zones in the Dugas & Leblanc #1 well. Unfortunately after completion and whilst testing the well commenced flowing uncontrollably to the atmosphere for a period from 11 August 2010 to 24 August 2010. The well is under control and is being assessed for either re-completion or plugging and abandonment.

At time of writing testing of environmental samples around the well location continues and the well Operator, Mantle Oil & Gas, continues to work with authorities to ascertain the level of remediation that will be required. It is still expected to take some time before certainty regarding the necessary remediation to the location is achieved and the cost thereof. Grand Gulf will continue to update shareholders on the status of this work and the costs, or lack of, net of insurance to Grand Gulf.

Napoleonville-- Dugas & Leblanc Well #2, Assumption Parish, Louisiana, Non-Operator 39.5% WI

The Dugas & Leblanc #2 commenced drilling on 22 August 2010 initially as a relief well for the Dugas & Leblanc #1 well and subsequently was drilled as a development well. The well reached TD in early September 2010 and is presently being completed with 118ft of net pay logged over three intervals.

Value of Dugas & Leblanc Prospect

The Dugas & Leblanc structure is targeting Big Hum and Operc Sands which were amplitude anomalies initially were targeting 1.2 MMBO and 3 BCF gas. Initial flow rates are expected to be around the 200+ barrels of oil per day and 1,000 MCF per day. It is not determinable at this stage the value of the hydrocarbons that escaped as a result of the blow out to reduce this value.

Napoleonville - Sager #1, Assumption Parish, Louisiana, Non Operator 39.89% WI

The Sagers #1 well was spudded on Wednesday, 15 September 2010 and is estimated to take approximately two weeks to drill.

The Sagers #1 well is testing the Operc and Cris R III Sands as primary objectives with 300,000 barrels and 1.2 BCF of gas classified as a PUD. Further upside exists in secondary exploration objectives in the Marg A and Cris R I of 300,000 barrels of oil and 1.2 BCF of gas. If the well is successful initial flow rates are expected to be around the 200+ barrels of oil per day and 500 MCF per day. The Company's share of dry hole and completion costs are estimated at US\$650,000 and US\$212,000 respectively.

* GGE is liable for 57.15% of dry hole costs.

Proposed Future Drilling Program

Clifton lands #1, Non-Operator 46.83%WI

The Clifton Lands #1 well is testing a primary objective in the Big Hum sand with 5 BCF classified as a PUD and targeting further exploration upside objectives in the Tex W of 100,000 barrels oil. If the well is successful initial flow rates are expected to be around the

5,000 MCF per day and 100+ barrels of oil per day. Total dry hole costs are estimated at US\$1,100,000.

Mound II, Non-Operator 39.5%

The Mound II is testing a primary objective in the Marg Vag sand with 50 BCF and 1.75 million Barrels classified as exploration and targeting further exploration upside objectives in the lower Cris R of 25 BCF and 875,000 barrels oil. If the well is successful initial flow rates are expected to be around the 5,000 MCF per day and 300+ barrels of oil per day. Total dry hole costs are estimated at US\$1,800,000.

Prospect Development

The Company has continued to make significant advancements in prospect development at Napoleonville Salt Dome have been undertaken internally converting 13 leads into prospects.

The Company will be providing an investor update to the market with respect to these prospects. The main criteria used in short listing of these prospects for drilling has been:

- The ability to test deeper larger sands with shallower low risk targets;
- The ability to access these prospects with existing or accessible leases and dry locations; and
- Significant economic recoveries with relatively low to moderate drilling costs.

Macquarie Bank Facility

Macquarie Bank agreed to increase its existing banking facility with Grand Gulf by US\$1.5 million to a total of US\$3.5 million. The Company has drawn down a total of US\$2,500,000 of these funds to date.

Capital Raisings

- On 17 February 2010 the company issued 45,000,000 shares at 0.5 cents each to raise \$225,000; and
- Between March and April 2010 the Company completed a rights issue of 939,089,196 shares at 0.5 cents each to raise \$2.7m.

As at 30 June 2010 the consolidated cash position was \$954,840 (2009: \$257,656).

Exploration expenditure during the year was \$1.66m (2009: \$4.73m).

SUBSEQUENT EVENTS

Napoleonville Well control

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

At this time it is the understanding of Grand Gulf that insurance will substantially cover the costs of the well control operations, the environmental clean-up operations and the drilling of the replacement well Dugas & Leblanc #2. However, there is some uncertainty with regard to these matters. Grand Gulf will continue to keep investors informed as information comes to hand.

A class action has been filed against the Operator of the Dugas & Leblanc #1 well in both the Federal and State court for damages by certain residents of the area. The operator has appointed legal counsel to defend the joint venture and they will report on the progress of this

action as it develops and to any liability that Grand Gulf may face, if any, as a joint venture partner in the Dugas & Leblanc #1 well.

\$7 Million capital raising to find expanded drilling program

Grand Gulf announced on 4 August 2010 that it is proceeding with a partially underwritten pro rata non-renounceable entitlement issue of one Share for every two 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 approximately \$7,055,356 before costs.

The proceeds from the issue are to be used for exploration and development of the Company's interests in the Napoleonville Sale Dome and for working capital purposes.

On 7 September 2010 the Company advised that it had entered into a revised loan agreement with a company related to Mr Charles Morgan, Seaspin Pty Ltd and a loan agreement with Skye Equity Pty Ltd for the provision of a A\$3m Loan to fund the Company's short-term working capital obligations whilst completing the Entitlements Offer.

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

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

Under the revised loan agreement with Seaspin and the loan agreement with Skye interest is payable on the Loan at the rate of 8% per annum. In addition the Company will, subject to shareholder approval, issue 50,000,000 unlisted options to each underwriter exercisable at 1.5 cents per share on or before 1 September 2015.

The provision of these loans reconfirm the commitment of these underwriters post the well control problems associated with the Dugas and Leblanc #1 well and subject to insurance being available to substantially meet the costs associated with the well will continue to provide this underwriting. The underwriters will retain all their rights of termination in the event that insurance is unlikely to cover the exposure.

The Company has extended the closing date of the Entitlements Issue to close on 3 November 2010.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS

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

STRATEGY AND FUTURE PERFORMANCE

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

ENVIRONMENTAL ISSUES

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

See disclosure above on Napoleonville Well Control under subsequent events.

NGER ACT

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

SHARE OPTIONS

As at the date of this report, there were a total of 187,775,000 unissued ordinary shares under option (2009: 78,775,000). Refer to note 14 of the financial statements for further details of the options outstanding.

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

During the financial year, the Company issued no options under the shareholder approved Employee Share Option Plan. Details regarding the issue of share options under this plan are provided in note 26 of the financial statements.

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

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

	Grand Gulf Energy Limited Ordinary Shares	Options
Mr J Trimble	109,674,291	-
Mr C Morgan	79,216,470	-
Mr A Boss	8,272,400	1,000,000
Mr S Keenihan	14,160,000	1,000,000

REMUNERATION REPORT

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

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

E. Additional Information (audited)

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

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

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

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

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

Non-executive directors

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

Fixed remuneration

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

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

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

Performance-linked remuneration

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

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

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

B. Service Agreements (audited)

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

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

Mr J Trimble, Managing Director

- Agreement commenced 22 Feb 2006.
- Base salary, inclusive of superannuation, for the year ended 30 June 2010 of US\$275,000, to be reviewed annually by the remuneration committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 3 or 12 months' base salary depending upon the reason for termination.

C. Details of Remuneration (audited)

Details of the remuneration of the directors and the key management personnel of Grand Gulf Energy Limited and the Grand Gulf Energy Limited consolidated group are set out in the following tables. The key management personnel and specified executives of Grand Gulf Energy Limited and the Grand Gulf Energy Limited consolidated group during the year ended 30 June 2010 includes the following directors and executives:

- Mr C Morgan (Non-Executive Chairman)
- Mr J Trimble (Managing Director)
- Mr A Boss (Non-Executive Director)
- Mr S Keenihan (Non-Executive Director)
- Mr M Freeman (Company Secretary – Appointed 22 April 2010)
- Mr M Pitts (Company Secretary – resigned 22 April 2010)

Remuneration packages contain the following key elements:

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

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

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

DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2010

2010

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

* No equity settled securities were issued were performance related.

(i) In December 2008 the Directors agreed to accept shares in lieu of their fees/salaries for the period 1 January 2009 to 30 June 2010. The amounts shown above include an accrual of fees/salaries for the twelve months ended 30 June 2010. The shares issued were issued at a price of 1 cent each as follows:

Mr C Morgan	8,400,000
Mr J Trimble	27,476,771
Mr S Keenihan	4,500,000
Mr A Boss	3,811,200

(ii) Mr M Freeman was issued with 10,000,000 options exercisable on or before 15 March 2014. Refer to note 26B for details.

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

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

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

2009

	Short term benefits		Post-employment	Equity	Total	Proportion of remun. Performance related	Remuneration relating to options
	Salary and fees	Bonus	Super-annuation	Options			
	\$	\$	\$	\$	\$	%	%
<i>Directors</i>							
Mr C Morgan	84,000	-	-	-	84,000	-	-
Mr J Trimble	368,830	-	-	-	368,830	-	-
Mr S Keenihan	45,000	-	-	8,035	53,035	-	15.2
Mr A Boss	44,006	-	-	8,035	52,041	-	15.4
Mr M Pitts	81,250	-	-	-	81,250	-	-
Total Directors	623,086	-	-	16,070	639,156		

E. Additional Information

Options

Options granted under the Grand Gulf Energy Limited Employee Share Option Plan and by the Board under no plan to executives or consultants of the Company are issued for no consideration. Options granted under the plan carry no dividend or voting rights and have varied contractual lives. The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Date exercisable
7 May 2010	15 March 2014	\$0.009	\$0.0014	15 March 2014

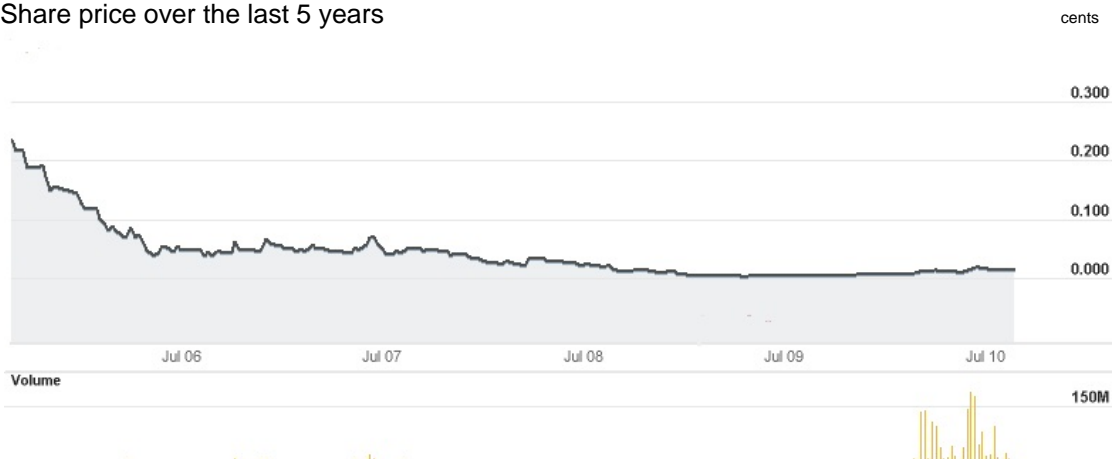
Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. All options expire on the earlier of their expiry date.

Name	Number of options granted during the year		Number of options vested during the year	
	2010	2009	2010	2009
Directors of Grand Gulf Energy Limited				
Mr J Trimble	-	-	-	-
Mr C Morgan	-	-	-	-
Mr S Keenihan	-	-	-	-
Mr A Boss	-	-	-	-
Mr M Freeman	10,000,000	-	10,000,000	-
Mr M Pitts	-	-	-	-

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

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

Share price over the last 5 years



This is the end of the audited remuneration report.

Shares issued on the exercise of options

There were no ordinary shares of Grand Gulf Energy Limited were issued during the year ended 30 June 2010 on the exercise of options granted under the Grand Gulf Energy Limited Employee Option Plan. No amounts are unpaid on any of the shares.

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

Date options granted	Expiry date	Issue price of shares	Number under option
27/12/06	31/12/10	\$0.08	1,000,000
27/12/06	31/12/10	\$0.10	1,000,000
31/07/07	31/12/10	\$0.08	800,000
31/07/07	31/12/10	\$0.10	600,000
31/07/07	31/12/10	\$0.12	600,000
11/09/08	18/09/12	\$0.04	45,000,000
02/12/08	02/12/12	\$0.04	13,775,000
02/12/08	02/12/12	\$0.04	3,000,000
04/06/09	05/06/13	\$0.005	6,000,000
26/11/09	24/11/13	\$0.005	1,000,000
18/03/10	15/03/14	\$0.009	25,000,000
07/05/10	15/03/14	\$0.009	15,000,000
07/05/10	06/05/14	\$0.009	75,000,000

Indemnification and Insurance of directors and officers

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

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Grand Gulf Energy Limited

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on the following page.

Dated at Perth, 30 September 2010, and signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'C Morgan', with a small dot at the end.

Mr Charles Morgan
Chairman

30 September 2010

Board of Directors
Grand Gulf Energy Limited
1292 Hay Street
West Perth, WA, 6005

Dear Sirs,

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

As lead auditor of Grand Gulf Energy Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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



Peter Toll
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		2010	2009
		\$	\$
Revenue from continuing operations	2	86,232	684,823
Other income	3(a)	120,212	152,278
Corporate office expenses		(203,991)	(208,770)
Employee benefits expense		(487,955)	(849,894)
Amortisation of oil and gas capitalised expenditure	9	(148,060)	(388,367)
Impairment of capitalised oil and gas expenditure	9	-	(6,220,370)
Professional and statutory fees		(337,368)	(371,856)
Other expenses		(573,306)	(455,284)
Loss before income tax		(1,544,236)	(7,657,440)
Income tax (expense)/ benefit	4	-	-
Loss from continuing operations		<u>(1,544,236)</u>	<u>(7,657,440)</u>
Net loss for the year	16	<u>(1,544,236)</u>	<u>(7,657,440)</u>
Other comprehensive Income/(loss)			
Foreign currency translation loss		<u>(181,373)</u>	<u>1,282,167</u>
Total comprehensive loss for the year		<u>(1,725,609)</u>	<u>(6,375,273)</u>
Loss per share			
Basic (cents)	21	(0.32)	(2.53)

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Notes	Consolidated	
		2010	2009
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	17(a)	954,840	257,656
Trade and other receivables	6	165,194	97,575
Other assets	7	15,057	508,163
Current assets held for sale	10	-	1,159,724
Total Current Assets		1,135,091	2,023,118
Non-Current Assets			
Property, plant and equipment	8	723	2,454
Exploration expenditure	9	8,525,736	7,375,756
Total Non-Current Assets		8,526,459	7,378,210
Total Assets		9,661,550	9,401,328
LIABILITIES			
Current Liabilities			
Trade and other payables	11	597,231	796,697
Borrowings	13	1,886,544	3,265,960
Total Current Liabilities		2,483,775	4,062,657
Non-Current Liabilities			
Provisions	12	26,440	13,481
Borrowings	13	189,101	-
Total Non-Current Liabilities		215,541	13,481
Total Liabilities		2,699,316	4,076,138
Net Assets		6,962,234	5,325,190
EQUITY			
Contributed equity	14	28,604,313	25,264,897
Reserves	15	2,127,647	2,285,782
Accumulated losses	16	(23,769,726)	(22,225,489)
Total Equity		6,962,234	5,325,190

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

STATEMENTS OF CHANGES IN EQUITY AS AT 30 JUNE 2010

	Consolidated					
	Contributed Equity	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	25,264,897	214,825	1,394,157	676,800	(22,225,489)	5,325,190
Loss attributable to members of the parent entity	-	-	-	-	(1,544,237)	(1,544,237)
Foreign currency translation adjustment	-	(181,373)	-	-	-	(181,373)
Total comprehensive income for the year	-	(181,373)	-	-	(1,544,237)	(1,725,610)
Shares issued, net of issue costs	3,339,416	-	-	-	-	3,339,416
Share options issued	-	-	23,238	-	-	23,238
Balance at 30 June 2010	28,604,313	33,452	1,417,395	676,800	(23,769,726)	6,962,234
Balance at 1 July 2008	25,264,897	(1,067,342)	789,195	676,800	(14,568,049)	11,095,501
Loss attributable to members of the parent entity	-	-	-	-	(7,657,440)	(7,657,440)
Foreign currency translation adjustment	-	1,282,167	-	-	-	1,282,167
Total comprehensive income for the year	-	1,282,167	-	-	(7,657,440)	(6,375,273)
Shares issued, net of issue costs	-	-	-	-	-	-
Share options issued	-	-	604,962	-	-	604,962
Balance at 30 June 2009	25,264,897	214,825	1,394,157	676,800	(22,225,489)	5,325,190

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		2010	2009
		\$	\$
Cash flows from operating activities			
Receipts from customers		132,000	926,192
Payments to suppliers and employees		(427,098)	(1,005,774)
Payments for exploration and evaluation	9	(2,329,989)	(5,470,746)
Interest received		7,385	27,344
Interest paid		(96,473)	(137,900)
Net cash outflow from operating activities	17(b)	(2,714,175)	(5,660,884)
Cash flows from investing activities			
Acquisition of project assets		(44,330)	-
Deposits on sale of non-current assets received		-	17,111
Proceeds on sale of exploration assets		1,252,403	-
Acquisition of other assets		(7,548)	-
Net cash inflow from investing activities		1,200,525	17,111
Cash flows from financing activities			
Proceeds from loans		361,000	2,842,045
Repayment of loans		(1,085,813)	-
Proceeds from issue of ordinary shares and other equity securities		1,962,251	-
Proceeds received in advance of placement being settled		978,000	-
Capital raising costs		(159,208)	-
Net cash inflow from financing activities		2,056,230	2,842,045
Net increase / (decrease) in cash and cash equivalents		542,580	(2,801,728)
Cash and cash equivalents at the beginning of the financial year		257,656	2,412,488
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		154,604	646,896
Cash and cash equivalents at the end of the financial year	17(a)	954,840	257,656

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

1. Summary of Significant Accounting Policies

REPORTING ENTITY

Grand Gulf Energy Ltd (the 'Parent Entity') is a company listed on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia. The consolidated financial statements of the Group for the financial year ended 30 June 2010 comprises the Parent Entity and its subsidiaries (together referred to as the 'Group').

The financial statements were authorised for issue by the Board of directors on 30 September 2010.

BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Principles of Consolidation

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

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

(c) Basis of measurement

The financial statements are is prepared on the historical cost basis.

(d) Functional and presentation currency

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

(e) Use of estimates and judgments

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

Significant accounting judgements

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

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

The Group's accounting policy for exploration, evaluation and development is set out at note 1(i). Application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves exist. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, management conclude that it is unlikely that capitalised expenditure will be recovered by future exploitation or sale, the relevant capitalised amount will be written off to profit or loss. As at 30 June 2010 the carrying amount of Oil & Gas Properties is \$8,525,736 (2009: \$7,375,756).

Critical accounting estimates

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Share-based payment transactions

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

Rehabilitation obligations

The Group estimates its share of the future removal and remediation costs of oil and gas platforms, production facilities, wells and pipelines at the time of acquisition or installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of remediation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of provision for rehabilitation refer to note 1(i). As at 30 June 2010 rehabilitation obligations have a carrying value of \$26,440 (2009: \$13,481).

Impairment of Oil and Gas Properties

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimates of the present value of future cash flows using asset-specific discount rates. For oil & gas properties, these estimates are based on assumptions concerning reserves, future production profiles and costs. As at 30 June 2010, the carrying value of oil & gas properties is \$8,525,736 (2009: \$7,375,756).

(f) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities recognised in the financial statements in the normal course of business and at their carrying amounts. The Group incurred a loss of \$1,544,236 for the year ended 30 June 2010 (2009: \$7,657,440).

The net current working capital deficiency of the Group at 30 June 2010 was \$1,348,684 (2009: \$2,039,539) and the net increase in cash held during the year was \$697,183 (2009: an increase of \$243,707).

On 11 August 2010 the Dugas & Leblanc # 1 well reported that the well was flowing uncontrollably to the atmosphere. The well was brought under control on 24 August 2010. At this time it is the understanding of Grand Gulf that insurance will substantially cover the costs of the well control operations, the environmental clean-up operations and the drilling of the replacement well Dugas & Leblanc #2. However, there is some uncertainty with regard to these matters. Grand Gulf will continue to keep investors informed as information comes to hand.

A class action has been filed against the Operator of the Dugas & Leblanc #1 well in both the Federal and State court for damages by certain residents of the area. The operator has appointed legal counsel to defend the joint venture and they will report on the progress of this action as it develops and to any liability that Grand Gulf may face, if any, as a joint venture partner in the Dugas & Leblanc #1 well. As of the date of writing neither the parent company or its Texas subsidiary has been named as a defendant in any lawsuit relating to the blowout. We will vigorously defend any action that might be brought against us by virtue of our joint venture interest in the Napoleonville Salt Dome Project. The board is mindful of its obligations to investors and will immediately update ASX as and when information becomes available.

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

- The Company commenced a rights issue raising A\$7m with underwriting commitments of \$4m presently in place.
- Since year end the Company has entered into two loan agreement totaling A\$3m with the underwriters, these funds will be used to satisfy partial extinguishment of their underwriting commitments.

The ability of the Company and the Group to continue to pay its debts as and when they fall due is dependent upon the Company successfully complete the above rights issue, raising additional share capital and ultimately developing one of its mineral properties. The Company is anticipating production from the Dugas & Leblanc #2 well to commence within the next Quarter to assist with cash flow requirements.

Should the Company not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Company and the consolidated entity may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(g) Income Tax

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

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

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

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

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

(h) Property, Plant and Equipment

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

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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

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

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

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The major categories of assets are depreciated as follows:

- Oil and gas properties are amortised over the useful lives of the asset on a unit of production basis once a reserve has been established.
- Motor Vehicles are depreciated based on diminishing value at 22.5%.
- Plant and equipment and drilling parts are depreciated based on diminishing value at 25% to 40%.
- Office equipment is depreciated based on diminishing value at 25% to 40%.
- Currently there are no buildings owned by the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss statement.

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

Exploration & evaluation expenditure

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

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

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

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

Costs

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

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

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

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

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

Transfer to development projects

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

Producing projects

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

Amortisation of producing projects

Upon commencement of production, the Group amortises the accumulated costs for the relevant area of interest over the life of the area according to the rate of depletion of the economically recoverable quantities of reserves. Estimates of recoverable reserve quantities include judgemental assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Amortisation charged for the year to 30 June 2010 was nil (2009: \$388,367).

Future restoration costs

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

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

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

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

(j) Financial Instruments

Recognition

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

Trade and Other Receivables

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

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

Loans and receivables

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

Fair value

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

Impairment

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

(k) Impairment of Assets

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

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

(l) Foreign Currency Transactions and Balances

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

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

Group companies

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

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

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

(m) Provisions

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

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

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

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

Provision for restoration and rehabilitation

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

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

(n) Cash and Cash Equivalents

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

(o) Revenue

(i) Sale of goods

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

(ii) Other revenue

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

(iii) Service income

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

(p) Goods and Services Tax (GST)

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

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

(q) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

(r) Dividends

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

(s) Options

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

(t) Employee Benefits

(i) Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Employee benefits payable later than one year

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

(iii) Superannuation

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

(iv) Employee benefit on costs

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

(v) Options

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

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

(u) Earnings Per Share

(i) Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(v) Fair Value Estimation

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

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

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

(w) Australian Accounting Standards issued but not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvement Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 - Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issue [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement - AASB 14 make amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

(x) Segment reporting

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

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision makers.

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

(y) Parent entity financial information

The financial information for the parent entity, Grand Gulf Energy Ltd, disclosed in note 34 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investment in subsidiaries, associates and joint venture entities

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

Tax consolidation legislation

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

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

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

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

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

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

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

Financial guarantees

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

2. Revenue

	Consolidated	
	2010	2009
	\$	\$
Revenues		
Interest	8,182	27,344
Sale of oil and gas	78,050	657,479
Total revenues from ordinary activities	86,232	684,823

3. Loss from operations

(a) Other income

Net gain on sale of non-current assets	120,212	17,111
Foreign exchange	-	129,309
Other	-	5,858
	120,212	152,278

(b) Expenses

Loss before income tax includes the following specific expenses:

<i>Depreciation</i>		
Plant and equipment	1,731	2,354
Total depreciation	1,731	2,354
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	83,303	109,847
Total rental expense relating to operating leases	83,303	109,847
<i>Foreign exchange gains and losses</i>		
Net foreign exchange losses	57,959	-
<i>Finance Costs</i>		
Borrowing expense	-	291,726
Interest expense	87,398	117,700
	87,398	409,426

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

4. Income tax

(a) Income tax expense

	Consolidated	
	2010	2009
	\$	\$
Current tax	-	-
Deferred tax	-	-
Under (over) provided in prior years	-	-
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

	Consolidated	
	2010	2009
	\$	\$
Loss from ordinary activities before income tax expense	(1,544,236)	(7,657,440)
Prima facie tax benefit on loss from ordinary activities at 30% (2009: 30%)	(463,271)	(2,297,232)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	106,138	8,747
	<hr/>	<hr/>
Movements in deferred taxes in relation to temporary differences	(357,133)	(2,288,485)
	87,452	(825,155)
Difference in overseas tax rates	(32,032)	(1,574,066)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	301,712	4,687,706
	<hr/>	<hr/>
Income tax expense / (benefit)	-	-
	<hr/> <hr/>	<hr/> <hr/>

4. Income tax (continued)

(c) Unrecognised temporary differences

	Consolidated	
	2010	2009
	\$	\$
<i>Deferred tax assets</i>		
Tax losses at 30%	1,348,006	1,264,049
Temporary differences at 30%	26,089	78,013
Tax losses – foreign subsidiaries (34%)	4,287,842	3,380,761
Temporary differences at 34%	-	71,204
 <i>Deferred tax liabilities</i>		
Temporary differences at 30%	-	(3,359)
Temporary differences at 34%	(2,898,750)	(3,089,143)
Net deferred tax asset not recognised	2,763,187	1,701,525

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

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

5. Dividends paid or provided for on ordinary shares

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

6. Trade and other receivables

Current

Receivables (i)	165,194	44,303
Accrued income	-	53,272
	165,194	97,575

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

7. Other assets

	Consolidated	
	2010	2009
	\$	\$
Current		
Prepayments/deposits	15,057	30,281
Borrowing costs	-	477,882
	15,057	508,163

8. Property, plant and equipment

Plant and equipment		
At cost	14,244	14,244
Accumulated amortisation	(13,521)	(11,790)
	723	2,454

(a) Reconciliations

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

Plant and equipment		
Carrying amount at beginning of year	2,454	4,808
Additions	-	-
Disposals	-	-
Depreciation	(1,731)	(2,354)
Carrying amount at end of year	723	2,454

9. Exploration expenditure

Capitalised oil and gas expenditure	13,442,679	12,127,319
Impairment	(4,916,943)	(4,751,563)
Capitalised oil and gas expenditure	8,525,736	7,375,756

Capitalised oil and gas expenditure		
Carrying amount at beginning of year	7,375,756	10,455,920
Expenditure during the year	1,655,423	4,732,439
Disposals	(588,241)	-
Transfer to assets held for sale	-	(4,528,225)
Foreign exchange variation	230,858	-
Amortisation	(148,060)	(388,367)
Impairment of capitalised expenditure	-	(2,896,011)
Carrying amount at end of year	8,525,736	7,375,756

The ultimate recoupment of costs carried forward for capitalised expenditure is dependent on either the sale or successful development and commercial exploitation of lease acreage. Amortisation will be calculated over the life of the area according to the rate of depletion of economically recoverable reserves, at the time when production commences.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

10. Assets classified as held for sale

	Consolidated	
	2010	2009
	\$	\$
Capitalised oil and gas expenditure	-	4,528,225
Impairment	-	(3,368,501)
	-	1,159,724

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

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

11. Trade and other payables

Current

Trade creditors	587,108	548,257
Other creditors	10,123	248,440
	597,231	796,697

Risk exposure: Information about the Group's and the parent entity's exposure to foreign exchange risk is provided in note 26.

12. Provisions

Non-Current

Provision for future restoration	26,440	13,481
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(a) Reconciliations

Provision for future restoration		
Carrying amount at beginning of year	13,481	41,777
Additional provisions recognised/recalculated	12,959	(28,296)
Carrying amount at end of year	26,440	13,481

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

13. Borrowings

	Consolidated	
	2010	2009
Secured	\$	\$
Current		
Working capital loan	1,886,544	3,265,960
Non-current		
Working capital loan	189,101	-

Macquarie Bank Facility

Macquarie Bank has agreed to increase its existing banking facility with Grand Gulf by USD1.5 million from the current USD2.0 million. The Company in consideration for the increased facility issued Macquarie Bank with 75,000,000 Options exercisable at \$0.009 on or before 6 May 2014. The current portion of the working capital loan is reduced by capitalised borrowing costs of \$269,503. The loan is secured by a fixed and floating charge over the Group and its assets, including all leases and mineral rights at the Napoleonville Salt Dome.

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

14. Contributed equity

(a) Issued and paid up share capital

	2010		2009	
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning of the year	302,856,627	25,264,897	302,856,627	25,264,897
Equity issues for cash	592,044,600	2,962,473	-	-
Equity issues to directors in lieu of fees	44,187,971	441,880	-	-
Equity issues in lieu of consulting charges	1,625,000	16,250	-	-
Less: transaction costs	-	(81,187)	-	-
Balance at the end of the year	940,714,198	28,604,313	302,856,627	25,264,897

(b) Share options

Option Premium Reserve

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

Options issued/(expired)	Exercise price	Expiry date
1,000,000	\$0.005	24/11/13
40,000,000	\$0.009	15/03/14
75,000,000	\$0.009	06/05/14

As at 30 June 2010 the Company has on issue 187,775,000 (30 June 2009: 78,775,000) unlisted options over unissued ordinary shares, and nil listed options (30 June 2009: 0).

The issue price of the options was \$nil.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Share Options

During the period an amount of \$23,238 (2009: \$29,156) was recognised as an expense and corresponding movement in equity in respect of the fair value of options issued as equity based compensation.

	Exer- cise price	Expiry date	Balance at beginning of year	Issued during the year	Exercised during the year	Cancell- ed during the year	Balance at end of year
			Number #	Number #	Number #	Number #	Number #
Unlisted options *	\$0.08	31/12/10	1,000,000	-	-	-	1,000,000
Unlisted options *	\$0.10	31/12/10	1,000,000	-	-	-	1,000,000
Unlisted options *	\$0.08	27/12/09	500,000	-	-	500,000	-
Unlisted options #	\$0.075	03/01/10	1,625,000	-	-	1,625,000	-
Unlisted options #	\$0.075	27/06/10	4,875,000	-	-	4,875,000	-
Unlisted options *	\$0.08	31/12/10	800,000	-	-	-	800,000
Unlisted options *	\$0.10	31/12/10	600,000	-	-	-	600,000
Unlisted options *	\$0.12	31/12/10	600,000	-	-	-	600,000
Unlisted options	\$0.04	18/09/12	45,000,000	-	-	-	45,000,000
Unlisted options #	\$0.04	02/12/12	13,775,000	-	-	-	13,775,000
Unlisted options	\$0.04	02/12/12	3,000,000	-	-	-	3,000,000
Unlisted options #	\$0.005	05/06/13	6,000,000	-	-	-	6,000,000
Unlisted options #	\$0.005	24/11/13	1,000,000	-	-	-	1,000,000
Unlisted options +	\$0.009	15/03/14	-	25,000,000	-	-	25,000,000
Unlisted options *	\$0.009	15/03/14	-	15,000,000	-	-	15,000,000
Unlisted options#	\$0.009	06/05/14	-	75,000,000	-	-	75,000,000
			79,775,000	115,000,000	-	7,000,000	187,775,000

* Options issued consultants. Refer Note 27 for details.

Issued to Macquarie Bank for working capital facility.

+ Issued to Skye Equity Pty Ltd for as part of convertible loan agreement of \$225,000 to meet is short term working capital requirement.

(c) Terms and conditions of contributed equity

Ordinary shares

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

15. Reserves

	Consolidated	
	2010	2009
	\$	\$
Foreign currency translation (a)	33,452	214,825
Share option reserve (b)	1,417,395	1,394,157
Option premium reserve (c)	676,800	676,800
	2,127,647	2,285,782

(a) Foreign currency translation reserve

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

Balance at beginning of year	214,825	(1,067,342)
Gain / (loss) on translation of foreign controlled entities	(181,373)	1,282,167
Balance at end of year	33,452	214,825

(b) Share option reserve

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

Balance at beginning of year	1,394,157	789,195
Increase on issue of options (i)	-	575,806
Increase on issue of options (ii)	23,238	-
Share based payment expense	-	29,156
Balance at end of year	1,417,395	1,394,157

(i) During the 2009 financial year the parent entity issued 3,000,000 to employees.

(ii) On 7 May 2010 the Company issued 115,000,000 options see note 14 above for breakdown.

(c) Option premium reserve

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

Balance at beginning of year	676,800	676,800
Options Rights Issue	-	-
Option Issue costs	-	-
Balance at end of year	676,800	676,800

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

16. Accumulated losses

	Consolidated	
	2010	2009
	\$	\$
Balance at beginning of year	(22,225,489)	(14,568,049)
Net loss attributable to members of the Company	<u>(1,544,237)</u>	<u>(7,657,440)</u>
Balance at end of year	<u>(23,769,726)</u>	<u>(22,225,489)</u>

17. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

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

Cash on hand	954,840	257,656
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The group's exposure to interest rate risk is discussed in note 25. The above figures are reconciled to cash at the end of the financial year as shown in the Statement of cash flows as follows:

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

Loss for the year	(1,544,236)	(7,657,440)
Depreciation	1,731	2,354
Impairment and write-off of oil and gas assets	(120,212)	6,220,370
Amortisation	148,060	388,367
Share based payments	23,238	29,156
Exchange rate adjustments on balance of cash held in foreign currencies	463,191	129,310
Changes in net assets and liabilities		
(Increase) / decrease in assets:		
Trade and other receivables	(67,619)	420,270
Prepayments/borrowing costs	223,603	289,071
Capitalised expenditure	(1,655,423)	(5,994,585)
Increase / (decrease) in liabilities:		
Trade and other creditors	(199,467)	600,743
Provisions	12,959	(88,500)
Net cash outflows from operating activities	<u>(2,714,175)</u>	<u>(5,660,884)</u>

18. Expenditure commitments

(a) Capital commitments

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

	Consolidated	
	2010	2009
	\$	\$
Exploration and lease rentals commitments		
Not later than one year	263,333	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>263,333</u>	<u>-</u>

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

(b) Lease commitments

Operating leases (non-cancellable)		
Not later than one year	81,453	103,734
Later than one year and not later than five years	-	57,746
	<u>81,453</u>	<u>161,480</u>

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

(c) Remuneration commitments

Commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

Not later than one year	455,555	338,920
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>455,555</u>	<u>338,920</u>

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

19. Contingent liabilities

The Group had no current contingent liabilities as at 30 June 2010. Refer to Note 20 for details of a potential future contingent liability.

20. Events occurring after reporting date

Napoleonville Well control

Grand Gulf advised on 11 August 2010 that the Operator, Mantle Oil & Gas LLC of the Dugas & Leblanc # 1 well reported that the well was flowing uncontrollably to the atmosphere. The well was brought under control on 24 August 2010. At this time it is the understanding of Grand Gulf that insurance will substantially cover the costs of the well control operations, the environmental clean-up operations and the drilling of the replacement well Dugas & Leblanc #2. However, there is some uncertainty with regard to these matters and Grand Gulf will thereby extend the dates of the offer to allow more time for an appropriate level of certainty to be reached. Grand Gulf will continue to keep investors informed as information comes to hand. A formal notice of extension to the ASX will be lodged in due course.

A class action has been filed against the Operator of the Dugas & Leblanc #1 well in both the Federal and State court for damages by certain residents of the area. The operator has appointed legal counsel to defend the joint venture and the will report on the progress of this action as it develops and to any liability that Grand Gulf may face, if any, as a joint venture partner in the Dugas & Leblanc #1 well.

\$7 Million capital raising to fund expanded drilling program

Grand Gulf announced on 4 August 2010 that it is proceeding with a partially underwritten pro rata non-renounceable entitlement issue of one Share for every two 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 approximately \$7,055,356 before costs.

The proceeds from the issue are to be used for exploration and development of the Company's interests in the Napoleonville Sale Dome and for working capital purposes.

On 7 September 2010 the Company advised that it had entered into a revised loan agreement with a company related to Mr Charles Morgan, Seaspin Pty Ltd and a loan agreement with Skye Equity Pty Ltd for the provision of a A\$3m Loan to fund the Company's short-term working capital obligations whilst completing the Entitlements Offer.

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

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

Under the revised loan agreement with Seaspin and the loan agreement with Skye interest is payable on the Loan at the rate of 8% per annum. In addition the Company will, subject to shareholder approval, issue 50,000,000 unlisted options to each underwriter exercisable at 1.5 cents per share on or before 1 September 2015.

The provision of these loans reconfirm the commitment of these underwriters post the well control problems associated with the Dugas and Leblanc #1 well and subject to insurance being available to substantially meet the costs associated with the well will continue to provide this underwriting. The underwriters will retain all their rights of termination in the event that insurance is unlikely to cover the exposure. The Company has extended the closing date of the Entitlements Issue to close on 3 November 2010.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

21. Loss per share

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

	Consolidated	
	2010	2009
	\$	\$
Losses used in calculating basic loss per share	(1,544,236)	(7,657,440)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	478,796,546	302,856,627

As the Group incurred a loss for the year ended 30 June 2010 the options on issue have no dilutive effect therefore the diluted earnings per share is equal to the basic loss per share.

22. Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	326,183	623,086
Post-employment benefits	-	-
Share-based payments	237,710	16,070
	563,893	639,156

See Remuneration Report in the Directors report for further details.

(b) Equity instrument disclosures relating to key management personnel

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

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

(ii) Option holdings

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

2010

Name	Balance at start of the period	Granted during the period	Exer. during the period	Other changes during the period	Bal at the end of the year	Remun. options Vested and Exercisable at end of period	Remun. options unvested at end of period
	No.	No.	No.	No.	No.	No.	No.
Directors & KMP							
Mr J Trimble	-	-	-	-	-	-	-
Mr C Morgan	-	-	-	-	-	-	-
Mr A Boss	1,000,000	-	-	-	1,000,000	1,000,000	-
Mr S Keenihan	1,000,000	-	-	-	1,000,000	1,000,000	-
Mr M Freeman	-	10,000,000	-	-	10,000,000	10,000,000	-
Total	2,000,000	10,000,000	-	-	12,000,000	12,000,000	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

22. Key management personnel disclosures (continued)

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

(ii) Option holdings

2009

Name	Balance at start of the period	Granted during the period	Exercised during the period	Other changes during the period	Balance at the end of the year	Remuneration options Vested and Exercisable at end of period	Remuneration options unvested at end of period
	Number	Number	Number	Number	Number	Number	Number
Directors & KMP							
Mr J Trimble	10,053,719	-	-	(10,053,719)	-	-	-
Mr C Morgan	15,600,377	-	-	(15,600,377)	-	-	-
Mr A Boss	2,053,719	1,000,000	-	(2,053,719)	1,000,000	1,000,000	-
Mr S Keenihan	2,366,219	1,000,000	-	(2,366,219)	1,000,000	1,000,000	-
Total	30,074,034	-	-	(30,074,034)	2,000,000	2,000,000	-

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

2010

Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at end of the year
	Number	Number	Number	Number
Directors & KMP				
Mr J Trimble	41,234,392	-	68,439,899	109,674,291
Mr C Morgan *	22,252,125	-	66,964,345	89,216,470
Mr A Boss	325,000	-	7,947,400	8,272,400
Mr S Keenihan**	2,580,000	-	11,580,000	14,160,000
Mr M Freeman	-	-	20,000,000	20,000,000
Total	66,391,517	-	174,931,644	241,323,161

*Mr C Morgan holds 47m shares directly and the balance is held through director related Company's.

**Mr S Keenihan holds 1m shares directly and 7.2 shares indirectly through his superannuation fund

22. Key management personnel disclosures (continued)

2009

Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at end of the year
	Number	Number	Number	Number
Directors				
Mr J Trimble	37,364,815	-	3,869,577	41,234,392
Mr C Morgan	20,582,125	-	1,670,000	22,252,125
Mr A Boss	325,000	-	-	325,000
Mr S Keenihan	1,580,000	-	1,000,000	2,580,000
Total	59,851,940	-	6,539,517	66,391,517

(e) Other transactions with key management personnel

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

Transaction	Note	2010	2009
		\$	\$
Specified Directors & Executives			
Mr C Morgan	(i)	2,850	8,346
Mr M Freeman	(ii)	1,870	-

- (i) Purple Communications Pty Ltd, a company related to Mr C Morgan's spouse which provided communication services.
- (ii) Meccano Pty Ltd, of which Mr M Freeman is a director, provided accounting services.

Amounts owing to directors, director-related parties and other related parties at 30 June 2010 and included in trade and sundry creditors were \$46,978 (2009: \$226,944).

23. Auditor's remuneration

	Consolidated	
	2010	2009
	\$	\$
Audit or review of the financial report AUS	37,989	50,140
Audit or review of the USA operations	46,640	50,575
	<u>84,629</u>	<u>100,715</u>

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

24. Segment information

Operating segments

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

	Consolidated	
	2010	2009
	\$	\$
Segment profit / (loss)	(178,354)	(5,816,515)
Corporate revenue	78,050	657,479
Corporate Expenses:		
Corporate office expenses	(203,991)	(208,770)
Employee benefits expense	(173,167)	(147,536)
Professional and statutory fees	(337,368)	(371,856)
Other	(573,306)	(455,284)
Foreign currency translation loss	(181,373)	1,282,167
Total profit / (loss) as per the Statement of Comprehensive Income	<u>(1,725,609)</u>	<u>(6,375,273)</u>

25. Financial instruments

FINANCIAL RISK MANAGEMENT

The Group's policies with regard to financial risk management are clearly defined and consistently applied. They are a fundamental part of the Group's long term strategy covering areas such as foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk and capital management. The natural hedges provided by the relationship between commodity prices and the US currency reduce the necessity for using derivatives or other forms of hedging. The Group does not issue derivative financial instruments, nor does it believe that it has exposure to such trading or speculative holdings through its investments in joint ventures. Risk management is carried out by the Board as a whole, which provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Market Risk

(i) Foreign exchange risk

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

(ii) Commodity price risk

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

(iii) Interest rate risk

Interest rate risk relates to the statement of financial position values of the parent and consolidated cash at bank at June 2010 and June 2009. The working capital loan is at floating interest rates and has fair value interest rate risk which will not affect profit or equity.

25. Financial instruments (continued)

The Groups interest rate risk is that associated with the current Macquarie Bank Working Capital Facility. The interest rate payable is based on LIBOR plus 3.5% pa, or in certain circumstances a rate reasonably determined by the lender to be the appropriate equivalent rate reflecting the lenders cost of funding, having regard to prevailing market conditions

Group sensitivity

At 30 June 2010, if interest rates had changed by +/- 80 basis points from the year end rates with all other variables held constant, operating profit for the year would have been \$11,340 lower/higher (2009: change of 80bps: \$nil lower/higher), as a result of higher/lower interest expense on the working capital facility.

(iv) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is not significantly exposed to credit risk from its operating activities, however the Board constantly monitors customer receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Group does not hold collateral as security. No material exposure is considered to exist by virtue of the possible non performance of the counterparties to financial instruments and cash deposits.

(v) Capital Risk and Liquidity Risk Management

The Group's total capital is defined as shareholder's funds, plus net debt and amounted to \$9,118,281 at 30 June 2010 (2009: \$8,591,150). The Group's overriding objectives when managing capital are to safeguard the business as a going concern; to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate credit facility. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

Financing Arrangements

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

	Consolidated	
	2010	2009
Working Capital Facility	4,117,647	3,265,960

Maturities of financial liabilities

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

Group – At 30 June 2010	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives							
Trade Creditors	597,231	-	-	-	-	597,231	597,231
Borrowings	-	2,156,048	189,101	-	-	2,345,149	2,075,646-
Total	597,231	2,156,048	189,101	-	-	2,942,380	2,672,876-

Group – At 30 June 2009	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
Non-derivatives							
Trade creditors	796,697	-	-	-	-	796,697	796,697
Borrowings	3,386,338	-	-	-	-	3,386,338	3,265,960

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Total	4,183,035	-	-	-	-	4,183,035	4,062,657
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26. Share Based Payments

(a) Employee Option Plan

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

Grand Gulf Energy Limited – 2010

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Cancelled during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
7 May 10	15 Mar 14	\$0.009	nil	15,000,000	-	15,000,000	15,000,000
27 Dec 06	31 Dec 10	\$0.08	1,000,000	-	-	1,000,000	1,000,000
27 Dec 06	31 Dec 10	\$0.10	1,000,000	-	-	1,000,000	1,000,000
27 Dec 06	31 Dec 10	\$0.08	500,000	-	-	500,000	500,000
31 Jul 07	31 Dec 10	\$0.08	800,000	-	-	800,000	800,000
31 Jul 07	31 Dec 10	\$0.10	600,000	-	-	600,000	600,000
31 Jul 07	31 Dec 10	\$0.12	600,000	-	-	600,000	600,000
Total			4,500,000	15,000,000	-	19,500,000	19,500,000
Weighted Average Exercise price			9.2c	0.9c	-	2.8c	2.8c

Grand Gulf Energy Limited – 2009

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

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2010 was \$nil (2009 – \$nil).

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.96 years (2009 – 1.39 years).

26. Share Based Payments (continued)

(b) Fair value of options granted

The Company issued 15,000,000 options during the year to executives and consultants. The Company also issued a further 25,000,000 options to Skye Equity Pty Ltd in consideration of providing a loan of \$225,000.

The options have been valued using the Black & Scholes options valuation methodology based upon the following assumptions:

1. Options expire 15 March 2014 and are exercisable at 0.9 cents;
2. The date of valuation is the closing price on 15 January 2010, being 6.9 cents per share;
3. The current Risk free interest rate (Treasury Bond Rate) of 3.50%;
4. Volatility factor of 30% (expected volatility is estimated by considering historical average share price volatility); and
5. Based on the above assumptions the value of the options are 0.1358 cents each.

The Company also issued 75,000,000 options to Macquarie Bank in consideration of increasing their loan facility by US\$1,500,000.

The options have been valued using the Black & Scholes options valuation methodology based upon the following assumptions:

1. Options expire 6 May 2014 and are exercisable at 0.9 cents;
2. The date of valuation is the closing price on 15 January 2010, being 6.9 cents per share;
3. The current Risk free interest rate (Treasury Bond Rate) of 3.50%;
4. Volatility factor of 30% (expected volatility is estimated by considering historical average share price volatility); and
5. Based on the above assumptions the value of the options are 0.1359 cents each.

(c) Expenses arising from share-based payment transactions

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

	Consolidated	
	2010	2009
	\$	\$
Options issued to consultants*	731	8,290
Options issued to Financiers*	6,438	-
Options issued to directors**	16,069	20,866
	23,238	29,156

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

** The expense related to the fair value of the 2,000,000 options issued to directors in 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

26. Share Based Payments (continued)

(d) Share based compensation (audited)

Options

Options granted under the Grand Gulf Energy Limited Employee Share Option Plan and by the Board under no plan to executives or consultants of the Company are issued for no consideration. Options granted under the plan carry no dividend or voting rights and have varied contractual lives. The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	Value per option at grant date	Date exercisable
<i>Options issued by Grand Gulf Energy Limited (formerly Alto Energy International Limited), on a post-reconstruction basis</i>				
27 December 2006	31 December 2010	\$0.08	\$0.0335	27 December 2006
27 December 2006	31 December 2010	\$0.10	\$0.0310	27 December 2006
02 December 2008	02 December 2012	\$0.04	\$0.0074	2 December 2012
18 September 2008	11 September 2012	\$0.04	\$0.0101	11 September 2012
4 June 2009	4 June 2013	\$0.005	\$0.0050	4 June 2013
7 May 2010	15 March 2014	\$0.009	\$0.0014	15 March 2014

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

27. Parent Entity Financial Information

(a) Summary financial information

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

	2010 \$'000	2009 \$'000
Statement of Financial Position		
Current assets	3,969	527
Total assets	7,062	6,296
Total liabilities	86	1,286
<i>Shareholders' equity</i>		
Issued Capital	31,386	27,370
Reserves	3,209	3,862
Accumulated losses	(27,619)	(26,222)
	6,976	5,010
Loss for the year	1,397	10,146
Total Comprehensive income	-	-
(b) Guarantees entered into by the parent entity	2010	2009
	\$'000	\$'000
Carrying amount included in current liabilities	-	-
	-	-

27. Parent Entity Financial Information (continued)

(c) Related Party Transactions

(i) Parent entity

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

(ii) Subsidiaries

Interests in subsidiaries are set out below.

Investments in controlled entities

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

Investments in controlled entities held by Grand Gulf Energy Limited

	Country of incorporation	2010 %	2009 %
Grand Gulf Operating Inc*	USA	100	100
Alto Energy Limited	Australia	100	100

* previously named Golden Fleece Petroleum Inc

Investments in controlled entities held by Alto Energy Limited

	Country of incorporation	2010 %	2009 %
Grand Gulf Energy Inc	USA	100	100

(c) Loans to / from related parties

Grand Gulf Energy Limited has provided an unsecured, interest free and repayable on demand loan to its wholly owned subsidiary, Grand Gulf Energy Incorporated (formerly Alto Energy Incorporated), totalling \$6,863,717 at balance date (2009: \$10,501,362). There were no repayments made during the year.

Grand Gulf Energy Limited has previously provided an unsecured, interest free and repayable on demand loan to its wholly owned subsidiary Golden Fleece Petroleum Incorporated, totalling nil at balance date (2009: \$1,345,905). There were no repayments made during the year.

Alto Energy Limited has previously provided an unsecured, interest free and repayable on demand loan to its parent Grand Gulf Energy Limited, totalling nil at balance date (2009: \$1,174,472).

Alto Energy Limited has previously provided an unsecured, interest free and repayable on demand loan to its wholly owned subsidiary Grand Gulf Energy Inc (formerly Alto Energy Inc), totalling nil at balance date (2009: \$2,036,939). There were no repayments made during the year.

28. Interests in joint ventures

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

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

	Working Interest	
	2010	2009
Louisiana leased acreage	39.5%	3.7% - 26.3%
Oklahoma leased acreage	-	5.6% - 24.6%
Texas leased acreage	-	12.5%

29. Non-cash investing and financing activities

Options issued to employees, consultants, directors and financiers for no cash consideration are shown in note 26.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated financial position as at 30 June 2010 and of its performance for the year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included in pages 10 to 14 of the directors' report (as the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the Corporations Act 2001.
4. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by s295A.

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



Mr Charles Morgan
Chairman

Perth, 30 September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GRAND GULF ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Grand Gulf Energy Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



Auditor's Opinion

In our opinion:
the financial report of Grand Gulf Energy Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (a) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(f) in the financial report which indicates that the consolidated entity incurred a net loss of \$1,544,236 during the year ended 30 June 2010. This condition, along with other matters as set forth in Note 1(f), indicates the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and as such realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Grand Gulf Energy Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Peter Toll
Director

Perth, Western Australia
Dated this 30th day of September 2010

Grand Gulf Energy's Board and Corporate Governance**Introduction**

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

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

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

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

Explanation for Departures from Best Practice Recommendations

During the Company's 2010/2009 financial year the Company has complied with the Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("Corporate Governance Principles and Recommendations")¹ and has adopted the revised Principles and Recommendations taking effect from reporting periods beginning on or after 1 January 2008. Significant policies and details of any significant deviations from the principles are specified below.

Corporate Governance Council Recommendation 1
Lay Solid Foundations for Management and Oversight**The Role of the Board and the Board Charter***The Board's Duties*

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

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

In complying with Recommendation 1.1 of the Corporate Governance Council, the company has adopted a formal Board Charter which clearly establishes the relationship between the Board and management and describes their functions and responsibilities. A summary of the Board Charter has been posted on the corporate governance section of the Company's website.

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

***Corporate Governance Council Recommendation 2
Structure the Board to Add Value*****The Composition of Grand Gulf Energy's Board**

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

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

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

Independence of Directors

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

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

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

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

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

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

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

Independent Chairman

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

Roles of Chairman and Chief Executive Officer

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

Nomination and Appointment of New Directors

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

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

Grand Gulf Energy's Board Meetings

The Board met 5 times between 1 July 2010 and 30 June 2010.

The Board meets formally at least 5 times each year, and from time to time meetings are convened outside the scheduled dates to consider issues of importance.

Directors' attendance at Board and Committee meetings is the directors report.

Performance Review

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

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

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

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

Board Members' Rights to Independent Advice

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

Education

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

**Corporate Governance Council Recommendation 3
Promote Ethical and Responsible Decision Making**

The Board actively promotes ethical and responsible decision making.

Code of Conduct

The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Company, and as such complies with Recommendation 3.1 of the Corporate Governance Council. This code covers a broad range of issues and refers to those practices necessary to maintain confidence in Grand Gulf Energy's integrity, including procedures in relation to:

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

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

Securities Trading by Grand Gulf Energy Directors and Employees

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

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

Corporate Governance Council Recommendation 4
Safeguarding Integrity in Financial Reporting

Financial Reporting

Consistent with ASX Principle 4.1, the Company's financial report preparation and approval process for the financial year ended 30 June 2010 involved both the Managing Director and the Company Secretary providing detailed representations to the Board covering:

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

Audit and Compliance Committee

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

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

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

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

Corporate Governance Council Recommendation 5
Make Timely and balanced disclosure

Continuous Disclosure

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

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

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

Corporate Governance Council Recommendation 6
Respect the Rights of Shareholders

Shareholder Communications

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

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

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

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

***Corporate Governance Council Recommendation 7
Recognise and manage risk***

Risk Identification and Management

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

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

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

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

- Business risk management

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

- Internal controls

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

- Financial reporting

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

- Operations review

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

- Environment and safety

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

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

Risk Reporting

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company

is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Company does not have an internal audit function.

Managing Director and Chief Financial Officer Written Statement

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

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

Corporate Governance Council Recommendation 8 Remunerate Fairly and Responsibly

Remuneration for directors and executives

A brief discussion on the Company's remuneration policies and detailed disclosure of the remuneration paid to directors and executives is set out on in the directors report.

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

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

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

Distinguish Between Executive and Non-Executive Remuneration

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

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

Non-executive directors do not receive any other retirement benefits other than a superannuation guarantee contribution required by government regulation, which is currently 9% of their fees. Non-executive directors do participate in the Company's Employee Share Option Plan, given the Company's size and stage of development and the necessity to attract the highest calibre of professionals to the role, whilst maintaining the Company's cash reserves.

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

Remuneration Committee

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

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

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

Information required by Australian Stock Exchange Limited

Additional information included in accordance with the Listing Rules of the Australian Stock Exchange Limited. The information is current as at 20 September 2010.

1. Statement of issued capital

- a) Distribution of fully paid ordinary shares

<i>Size of Holding</i>	<i>Number of Shareholders</i>	<i>Shares Held</i>
1 - 1,000	84	15,679
1,001 - 5,000	34	87,519
5,001 - 10,000	44	380,552
10,001 - 100,000	561	26,567,821
100,001 and Over	672	913,662,627
	<hr/>	<hr/>
	1,395	940,714,198
	<hr/>	<hr/>

- b) There are 584 shareholders holding unmarketable parcels represented by 16,217,168 shares.
- c) There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

2. Substantial shareholders

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

Craig Ian Burton	12.7%
Mr James Moore Trimble	11.7%
Charles Morgan	8.92%

3. Quotation

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

ASX INFORMATION as at 20 September 2010

4. Top Twenty Shareholders as at 20 September 2010

The twenty largest shareholders hold 48.66% of the total issued ordinary shares in the Company as at 20 September 2010.

	Name	Number of Shares	% of Issued Shares
1.	Mr James Moore Trimble	67,405,696	7.17
2.	Craig Ian Burton <Burton Super Fund A/c>	55,000,000	5.85
3.	Skye Equity Pty Ltd	45,000,000	4.78
4.	Seaspin Pty Ltd <Aphrodite A/C>	44,712,220	4.75
5.	Macquarie Bank Limited	33,018,000	3.51
6.	Mr James Trimble	32,087,780	3.41
7.	Genteel Nominees Pty Ltd <Genteel Bare No 2 A/c>	21,661,028	2.30
8.	Mr Wayne Arnold Algie + Mrs Kyoko Algie	18,000,000	1.91
9.	Mr Charles Morgan	16,312,500	1.73
10.	Craig Ian Burton <Burton Super Fund A/c>	15,955,476	1.70
11.	Mr Gerald Dudley Green	13,106,119	1.39
12.	Lifward Pty Limited	12,998,304	1.38
13.	Gordon Holdings (QLD) Pty Ltd	11,959,990	1.27
14.	Seaspin Pty Ltd	11,900,000	1.26
15.	Mr Trent Sheldon Redding	11,600,000	1.23
16.	Mark Freeman <Freeman Family A/c>	10,000,000	1.06
17.	Mr James Moore Trimble	10,000,000	1.06
18.	Falcore Pty Ltd	9,481,000	1.01
19.	Prospero Capital Pty Ltd <Prospero Growth Fund A/C>	9,300,000	0.99
20.	Mr Glyn Richard Santo Crimp	8,272,400	0.88
		<hr/>	
		457,771,513	48.66