Grand Gulf Energy Limited

ABN 22 073 653 175

Annual Financial Report

for the financial year ended

30 June 2015

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CORPORATE DIRECTORY

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

COMPANY SECRETARY
Mr Mark Freeman

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GGE

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LETTER FROM CHAIRMAN

Dear Shareholder,

In 2014/2015 Grand Gulf Energy continued to focus on its Louisiana Gulf Coast production.

The Company acquired an additional 3.99% WI in Desiree Field and 15% WI in the Dugas & Leblanc Field in November 2014. This increased the Company's interest in Desiree to 39.6% and Dugas &Leblanc #3 to 55.3%. The purchase price was US$575,000 and settled in June 2015 for US$375,000. The Company's reserves increased by 57,000 barrels of oil for an average cost of $8 per recoverable barrel of oil.

The Company's main producer, Hensarling #1, in the Desiree Field on the Napoleonville Salt Dome continued to perform with production of over 400 bbls average per day total production for the year was 149,056 barrels.

Dugas & Leblanc #3 continued to perform and had total production for the year of 30,162 bbls oil and 15,752 mcf gas. Whilst the well is in decline it continues to be an excellent source of revenue.

Remediation at the Dugas & Leblanc #1 site is now at minimal levels with the JV required to continue testing salinity levels and remediation around the blowout location. The JV settled all remaining claims with litigants during the year and is now awaiting the court's ratification of the settlement at which point the remaining insurance claim of A$970,000 will be paid. This will finalise insurance in respect of the Company's initial 40% WI and whilst there will continue to be remedial work required it is minimal and is limited to ongoing soil sampling and water well testing. The Company continues to be insured in respect of the additional 15% WI in D&L acquired from Birdwood.

Significant G&G work was completed during the year with the focus on developing the sizeable 1.4 – 2 TCF Yellowfin Project within the Company's Napoleonville seismic. The Company is working diligently to farm out the project.

With the steep decline in oil prices Grand Gulf is continuing to assess production for sale in the US. The Company is also assessing other options corporately.

Financially the Company continues to make an operating profit before write-downs, notwithstanding the significant reduction in the oil price, production revenue was over $6.7 million. Earnings before interest, tax and amortisation or impairments was $2.13 million.

I would like to thank the CEO, Mark Freeman, co-directors, Alan Boss and Stephen Keenihan and our exploration team of KC Whittemore and Mark Hartman for their work.

Yours faithfully,

Charles W. Morgan

Charles W. Morgan
Chairman
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 2015 (referred to hereafter as the group).

DIRECTORS

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

Mr Charles Morgan
Executive Chairman
Appointed 19 January 2006

Mr Morgan has been involved in the oil and gas industry since 1995. He has been involved in oil and gas assets in South East Asia, USA, Africa and Europe.

Mr Morgan is also a director of ADG Global Supply Ltd.

Directorships in Listed entities in last 3 years - Alcyone Resources Ltd (resigned 8 March 2013) and Tamaska Oil & Gas Ltd (resigned 17 February 2014).

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

Mr Freeman is a Chartered Accountant and has more than 19 years' experience in corporate finance and the resources industry. He has experience in project acquisitions and management, strategic planning, business development, M&A, asset commercialisation, and project development. Prior experience with Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources Ltd and Matra Petroleum Plc.

Former and current directorships in last 3 years – Former: Quest Petroleum NL (resigned 24 November 2011), Macro Energy Ltd (resigned 5 June 2014), Mustang Resources Ltd (resigned 10 June 2015), Tamaska Oil and Gas Ltd (resigned 1 February 2015).

Mr Allan Boss
B. Com
Doctor of Jurisprudence
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
B.Sce (Hons Geology)
Non-Executive Director
Appointed 13 November 2006

Mr Keenihan is a geologist with more than 40 years' of experience in the upstream oil and gas industry and extensive international experience. Previous positions include exploration manager for Apache Australia and LASMO, regional managers Australia for Novus Petroleum and WMC Resources Petroleum Division. He has managed exploration, development, operations, commercial and marketing activities in the energy industry.

Directorships in last 4 years – Transerv Energy Ltd

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 ended 30 June 2015, the loss attributable to members of the Group is $546,306 (2014: profit $1,400,466).

The Company is focusing its activities on the following primary objectives:

1. Farming out the Yellowfin Project – whilst the US market has seen steep declines in exploration budgets as a result of the oil price downturn, the Company continues to see strong US interest for the Yellowfin project due to its significant reserve size and potential production flow rates.

2. Acquisition of producing assets – the Company's ability to review and quickly secure assets (as in Birdwood) enables it to capitalise on a weak US oil and gas prices.

3. Reviewing ongoing opportunities at Napoleonville – the Company has secured the services of Mark Hartman as its Senior Geophysicist. Mark assisted in the generation of the La Posada discovery and has over 30 years' experience in the industry. Mark has so far been concentrated on the seismic depth conversion of Yellowfin, but is now focused on looking at and de-risking prospects at Napoleonville.

Below is a detailed summary of the Company's exploration and development activities.

Review of operations of Grand Gulf Energy Limited consolidated group
Reserves

2015 Reserves and Resources Summary

Reserves and Resources as at 30 June 2015

Net to Grand Gulf Energy Ltd

		Proved(1P)			PROVED & PROBABLE(2P)		
FILED (LICENCE)	**INTEREST**	**LIQUIDS MBBL**	**GAS MMCF**	**OIL EQUIVALENT[1] MBOE**	**LIQUIDS MBBL**	**GAS MMCF**	**OIL EQUIVALENT[1] MBOE**
Reserves							
USA							
Dugas & Leblanc #3	55.50%	17	349	76	17	349	76
Desiree	39.65%	290	-	290	363	-	363
West Klondike	11.70%	0	7	1	12	7	18
Abita	20%	8	393	73	8	393	73
Total Reserves		**315**	**748**	**440**	**400**	**748**	**531**
Contingent Resources		High Estimate 1C			Mid to Low Estimate 2C		
Reserves							
USA							
Dugas & Leblanc #3	55.50%		833			278	46
Desiree	39.65%						
West Klondike	11.70%	55	1,362	282	18	454	94
Abita	20%						
Total Contingent Resources		**55**	**2,195**	**282**	**18**	**732**	**140**
Total Reserves and Resources		**370**	**2,943**	**722**	**419**	**1,480**	**671**

[1] Oil equivalent conversion factor: 6MSCF per BBL.

The information contained in these statements has been compiled by Kevin Kenning, Senior Petroleum Engineer, who is a consultant of the Company, is qualified in accordance with ASX listing rule 5.11 and has consented to the publication of this report. The reserve estimates in this report are solely based on Kevin Kennings professional opinion and are consistent with accepted industry standards for proved reserves. The proved reserve definition is based upon the criteria contained within the "SPE PRMS" (Society of Petroleum Engineers Petroleum Resources Management System).

Napoleonville Salt Dome

Yellowfin Prospect (96% WI) – Potential for 1.4-2TCF

- Proven Productive Trend, Tuscaloosa Sands & Column Height
- Syncline separated from Freeport McMoran's 2014 "Highlander" "3.0 TCF" Discovery, tested at 75 MMCFD
- 8,000 acre 3-Way Compressional Fold Trap analog feature
- Deeper Pool Test - Migration Pathway to 20 MMBO & 180 BCF Field
- 2,000' Objective Interval
- Analogous to Offshore Ultra Deep Sub-Salt Discoveries
- Proprietary 3D
- Wilcox & Marg vag Upside
- Land Location, Infrastructure & Pipelines
- MOST LIKELY RESERVES in the case of a discovery: 1.7 TCF (5,200 ac., 2,000' relief)

Located in Assumption Parish, Louisiana, the Yellowfin Prospect targets Cretaceous Tuscaloosa sands over a 2,000ft interval on a structural closure covering an area of 8,000 acres. The Prospect is currently being marketed to industry and will likely be of interest to a large US GOM Oil and Gas Company. This initial test well will be drilled to a total depth of 29,500ft.

Over the last 12 months the Company has secured leases over the Yellowfin Project. The Project has been developed in house using the Company's proprietary 52 square miles seismic survey headed by chief geologist and project manager KC Whittemore (who developed the deep La Posada Prospects, now fields, in Vermilion Parish, Louisiana).

Yellowfin follows Freeport McMoran's "Highlander" Jeanerette #1 Discovery which establishes sand, pay and significant column height and multi-TCF potential in the new trend. Freeport McMoran's reported potential of the discovery is 3TCF with 50,000+ acres under lease and two additional wells permitted in the area. Yellowfin is a large, similar sized feature situated on the adjacent structure to the Discovery. The Freeport McMoran well was recently tested at 75 mmcfd (42/62" choke) and has been on production at over 25,000 mcf per day since February. The facilities are awaiting additional amine units to remove Co2. Based on the production test in February 2015, Freeport McMoran can anticipate production of in-excess of 100,000 mcfg per day.

At current gas prices, the NPV10 of the project based on a 10 well program and recovering 1.6 TCF will generate in excess of US$2 billion dollars before income tax.

Highlander and Yellowfin are characterised by and analogous to the sub-salt, compressional structural style and sand depositional setting comparative to the ultra-deep offshore deep water sub-salt play and discoveries being developed by major oil companies.

Following recent completion of the seismic depth conversion work, the Company recommenced marketing efforts in July 2015 and, based on feedback and interest in what can only be described as a very challenging exploration market, we continue to be impressed with the interest received.

PRODUCTION

Desiree Field
Desiree, Assumption Parish, Louisiana, Non Operator 39.65%WI*

The Hensarling #1 well (Desiree Field) has produced over 287,000 barrels of oil with production rates of over 400 barrels per day being maintained. Remaining P1 reserves are estimated at 737,000 barrels and P1/P2 are 916,000. Production during the year was 149,056 barrels.

In June 2015 a partner in Desiree sold its 17% WI in Desiree for US$2.5m valuing GGE's interest at ~US$6,000,000 (A$7.8m).

Production from the CRIII will continue through a 25/64 inch choke until depletion takes place, or water production becomes excessive, and will then switch to the thinner Cris R II (31ft pay) formation. The JV has secured the Templet #1 as a disposal well for Hensarling #1 when it commences to produce water.

Desiree Litigation

The Company advised in July 2014 that a previous JV partner in the Desiree Project was suing the Company for a 5.3% WI (4.63% WI net to GGE) in the Desiree Project and leases. The partner formally withdrew from the project in December 2011 and, subsequent to the well having commenced drilling, demanded their interest be reinstated. GGE's right to its working interest is being vehemently defended. The matter was removed from court and will be dealt with in private arbitration with a hearing set for 23 November 2015.

Dugas & Leblanc Field
Napoleonville- Dugas & Leblanc #3 Well, Assumption Parish, Louisiana, Non Operator 55.5% WI*

The D&L#3 "M" sand was successfully perforated and placed on production on 18 October 2011. Production is presently 75 bod, 38 mcfd and 380 barrels of water per day from a 21/64 inch choke. Production during the year was 30,863 barrels and 16,288 mcf gas.

Remaining reserves as at 30 June 2015 are estimated at 139,000 boe.

Abita, Plaquemines Parish, Louisiana, Non Operator 20%WI

The field is being operated by Clayton Williams Energy Inc in Plaquemines Parish, Louisiana. The well commenced producing on 18 March 2012.

The well was re-completed in the 17 sand in May 2015 and has since produced over 1 mmcfd and 5 bopd through a 7/64 inch choke. Production during the year was 1,753 barrels and 224,449 mcf gas.

West Klondike Development
Wilbert Sons LLC #1 well, West Klondike, Iberville Parish, Louisiana, Non Operator 11.7% WI

The well commenced producing from the lower Nod Blan on 4 September 2014 and is presently awaiting a rig to re-complete in the upper member of the L Nod Blan. Production during the period was 3,073 barrels and 297,142 mcf gas.

Following depletion in the L Nod Blan the well will be completed and produced from the upper Nod Blan.

The third, and most substantial interval to be produced following the depletion of the Nod Blan sands, is the Lorio interval which has the potential for up to 500,000 barrels of oil.

Equity Issues

- No Shares were issued during the Financial Year

As at 30 June 2015 the consolidated cash position was $969,526 (2014: $1,840,990).

Exploration and development expenditure during the year was $3.11m (2014: $1.48m).

EVENTS SINCE THE END OF FINANCIAL YEAR

Other than as stated below, no events occurred subsequent to year end that would impact on the financial statements:

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, other than as stated below and those referred to in the review of operations, there were no other matters that significantly affected the state of affairs of the Group during the financial year:

- Effective 1 November 2014 the Company acquired Birdwood Louisiana for US$575,000. Birdwood owns 3.99WI in the Desiree Field, 15% WI in the Dugas and Leblanc Field and seismic and facilities in the Fausse Point Field, LA. The Company settled the purchase on 23 June 2015 for US375,000.

- The Templet #1 well commenced drilling on 10 August 2014 and was determined to be a dry well on 8 September 2014.

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.

ENVIRONMENTAL REGULATION

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

NGER ACT

The Directors consider the 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 nil listed options (2014: nil listed options) and 27,000,000 unlisted options (2014: Nil). Refer to note 12 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 did not issue any employee options. Details regarding the issue of share options under this plan are provided in the directors' report. There were no shares issued on the exercise of options during the year.

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

Securities

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

Ordinary Shares

Holder	Balance at Beginning of Year	Other Purchases/Sales	Other changes during the year	Balance at the date of report
Mr C Morgan	158,100,476	-	-	158,100,476
Mr S Keenihan	3,917,229	-	-	3,917,229
Mr M Freeman	-	-	-	-
Mr A Boss	2,481,720	-	-	2,481,720
Total	**164,499,425**	**-**	**-**	**164,499,425**

Options

Holder	Balance at beginning of year	Granted as compensation	Expired	Balance as at date of report	Vested and exercisable
Mr C Morgan	-	-	-	-	-
Mr M Freeman	-	8,000,000	-	8,000,000	1,600,000
Mr S Keenihan	-	3,000,000	-	3,000,000	600,000
Mr A Boss	-	5,000,000	-	5,000,000	1,000,000
Total	**-**	**16,000,000**	**-**	**16,000,000**	**3,200,000**

REMUNERATION REPORT (Audited)

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

A. Principles Used to Determine the Nature and Amount of Remuneration
B. Service Agreements
C. Details of Remuneration
D. Share Based Compensation
E. KMP Interest in Securities
F. Other transactions with key management personnel

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

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 determined due to the size and nature of the Company the functions of the remuneration committee will be performed by the Board. The Board 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 Board 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. The following table shows key performance indicators for the group over the last five years:

	2015	2014	2013	2012	2011
Profit / (loss) for the year	(546,306)	1,400,466	(2,167,264)	2,917,786	(5,610,950)
Basic earnings/(loss) per share (cents per share)	(0.07)	0.11	(0.29)	0.40	(0.90)
Dividend payments	-	-	-	-	-
Dividend payment ratio (%)	-	-	-	-	-
Increase/(decrease) in share price (%)	(25%)	100%	(73%)	(25%)	(60%)
Total KMP incentives as percentage of profit/(loss) for the year (%)	-	1%	2%	2%	2%

The Corporate Governance Statement provides further information on the role of the Board.

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 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 Board 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. Key performance indicators (KPIs) are individually tailored by the Board 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.

During the year ended 30 June 2015 the following options were issued and not expired during the reporting period:

Name	Number of options granted
A Boss	5,000,000
S Keenihan	3,000,000
M Freeman	8,000,000

These options where not linked to any performance linked remuneration, but rather an overall remuneration packed aligning the KMP with the Company's growth strategy.

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 Board 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 Board 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.

The Company did not engage with remuneration consultants during the year.

Voting and comments made at the Company’s 2014 Annual General Meeting

GGE received more 100% of “yes” votes (excluding director’s votes) on its remuneration report for the 2014 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

B. Service Agreements

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

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 3 months’ notice, subject to termination payments as detailed below:

Name	Term of agreement	Base salary including superannuation	Termination benefit
Mr C Morgan	Commencing 1 July 2013	$72,000	3 months base salary
Mr M Freeman	Commencing 1 November 2011	$260,000	3 months base salary
Mr S Keenihan	Commencing 1 July 2013	$52,600	3 months base salary
Mr A Boss	Commencing 1 November 2011	US$120,000	3 months base salary

C. Details of Remuneration

Details of the remuneration of the Directors and the key management personnel of Grand Gulf Energy Limited consolidated group are set out in the following tables. The key management personnel of Grand Gulf Energy Limited consolidated group during the year ended 30 June 2015 includes the following Directors and executives:

- Mr C Morgan (Executive Chairman)
- Mr M Freeman (Managing Director)
- Mr A Boss (Executive Director)
- Mr S Keenihan (Non-Executive Director)

Remuneration packages contain the following key elements:

a) Primary benefits – salary / fees and bonuses;
b) Post-employment benefits – including superannuation;
c) Equity – share options granted under the Employee Share Option Plan as disclosed in Note 24 to the financial statements; and
d) Other benefits.

The following tables disclose the detailed remuneration of the Directors of Grand Gulf Energy Limited and controlled entities within the Group:

2015

	Short term benefits		Post-employment	Equity	Equity	Total	Remune-ration relating to Options	Perfor-mance based remune-ration
	Salary and fees	Bonus	Super-annuation	Options	Shares			
	$	$	$	$	$	$	%	%
Directors								
Mr C Morgan	72,000	-	-	-	-	72,000	-	-
Mr S Keenihan	52,600	-	-	3,884	-	56,484	6.88	-
Mr A Boss	144,300	-	-	6,473	-	150,773	4.29	-
Mr M Freeman	260,000	-	-	10,357	-	270,357	3.83	-
Total Directors	528,900	-	-	20,714	-	549,614	3.77	-

2014

	Short term benefits		Post-employment	Equity	Equity	Total	Remune-ration relating to Options	Perfor-mance based remune-ration
	Salary and fees	Bonus	Super-annuation	Options	Shares			
	$	$	$	$	$	$	$	%
Directors								
Mr C Morgan	72,000	-	-	-	-	72,000	-	-
Mr S Keenihan	48,000	-	-	2,573	-	50,573	5.09	-
Mr A Boss	130,087	32,403*	-	5,146	-	167,636	3.07	19.33
Mr M Freeman	260,000	-	-	12,261	-	272,261	4.5	-
Total Directors	510,087	32,403	-	19,980	-	562,470		

* Allan Boss received a discretionary bonus of A$32,403 for services performed for the year.

D. Share Based Compensation

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period as follows:

Name	Grant Date	Number	Vesting Conditions	Exercise Price	Expiry Date	Value per option at grant date
A Boss	20 Nov 14	5,000,000	(i)	$0.014	30 Nov 18	$0.0025
S Keenihan	20 Nov 14	3,000,000	(i)	$0.014	30 Nov 18	$0.0025
M Freeman	20 Nov 14	8,000,000	(i)	$0.014	30 Nov 18	$0.0025

(i) 20% of the options will vest immediately; 30% of the options will vest on the first anniversary and; 50% will vest on the second anniversary.

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.

E. KMP Interest in Securities

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

Options

The number of options iver ordinary shares held by Key Management Personnel during the financial year is as follows:

30 June 2015	Balance at start of the year	Granted during the year	Lapsed/ Expired/ Forfeited	Balance at the end of the year	Vested and Exercisable at end of year	Unvested at end of year
	No.	No.	No.	No.	No.	No.
Directors & KMP						
Mr M Freeman	-	8,000,000	-	8,000,000	1,600,000	6,400,000
Mr A Boss	-	5,000,000	-	5,000,000	1,000,000	4,000,000
Mr C Morgan	-	-	-	-	-	-
Mr S Keenihan	-	3,000,000	-	3,000,000	600,000	2,400,000
Total	-	16,000,000	-	16,000,000	3,200,000	12,800,000

Shareholdings

The number of ordinary shares in Grand Gulf Energy Limited held by Key Management Personnel during the financial year is as follows:

30 June 2015	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
	No.	No.	No.	No.
Directors & KMP				
Mr C Morgan	158,100,476	-	-	158,100,476
Mr M Freeman	-	-	-	-
Mr A Boss	2,481,720	-	-	2,481,720
Mr S Keenihan*	3,917,229	-	-	3,917,229
Total	164,499,425	-	-	164,499,425

*Mr S Keenihan holds 1 million shares directly and 2.9 million shares indirectly through his superannuation fund.

F. Other transactions with key management personnel

No loans have been made during the financial period or at the date of this report to any key management personnel. A number of key management personnel, 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 Specified Directors & Executives	Note	2015 $	2014 $
Mr A Boss	(i)	37,828	31,167

(i) $37,828 was paid to Mr. Boss during the year for legal secretarial services performed by his legal assistant.

This the end of the audited remuneration report.

Shares issued on the exercise of options

There were no ordinary shares of Grand Gulf Energy Limited issued during the year ended 30 June 2015 on the exercise of options granted under the Grand Gulf Energy Limited Employee Option Plan. No amounts are unpaid on any of the shares.

Indemnification and Insurance of Directors and officers

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

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings 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 C Morgan	5	5
Mr A Boss	5	5
Mr S Keenihan	5	5
Mr M Freeman	5	5

The Company did not have committee meetings in the year.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

Details of the amounts paid or payable to the auditor (BDO WA) non-audit services provided during the year are set out below.

The board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporation Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartially and objectivity of the auditor; and

- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year no fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firm.

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 2015, and signed in accordance with a resolution of the Directors.

Mr Mark Freeman
Managing Director

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF GRAND GULF ENERGY LIMITED.

As lead auditor of Grand Gulf Energy Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of 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.

JPrue

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 30 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 $	2014 $
Revenue from continuing operations	2	6,683,166	7,510,572
Other income	3(a)	89,172	-
Cost of sales	3(b)	(2,814,932)	(2,700,173)
Interest income		110	41
Corporate office expenses		(79,849)	(215,117)
Employee benefits expense		(479,401)	(614,080)
Share based payment expense		(34,960)	(53,772)
Amortisation of oil and gas properties	9	(925,694)	(1,165,143)
Impairment of capitalised oil and gas expenditure	8 & 9	(2,658,583)	(1,210,382)
Hedging Cost		(76,885)	-
Foreign exchange	3(b)	10,757	10,499
Professional and statutory fees		(157,597)	(155,305)
Depreciation	3(b)	(1,602)	(461)
Other expenses		(100,008)	(6,240)
Profit/(loss) before income tax		(546,306)	1,400,466
Income tax (expense)/ benefit	4	-	-
Profit/(loss) from continuing operations		(546,306)	1,400,466
Profit/(loss) after income tax	14	(546,306)	1,400,466
Items that may be reclassified to profit or loss			
Foreign currency translation		3,968,522	(567,344)
Total comprehensive profit/(loss) for the year		3,422,216	833,122
Earnings/(loss) per share for the year attributable to the member of Grand Gulf Energy Ltd			
Basic earnings/(loss) per Share (cents per share)	20	(0.07)	0.19
Diluted earnings/(loss) per share (cents per share)	20	(0.07)	0.19

The above consolidated statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	15(a)	969,526	1,840,990
Trade and other receivables	6	1,156,439	1,423,152
Insurance claim receivable	6	1,017,781	84,550
Prepayments	6	47,906	111,819
Total Current Assets		3,191,652	3,460,511
Non-Current Assets			
Property plant & equipment	7	9,466	9,081
Exploration expenditure	8	13,551,464	10,141,894
Oil & gas properties	9	4,937,950	4,264,994
Total Non-Current Assets		18,498,880	14,415,969
Total Assets		21,690,532	17,876,480
LIABILITIES			
Current Liabilities			
Trade and other payables	10	381,338	174,873
Total Current Liabilities		381,338	174,873
Non-Current Liabilities			
Restoration provision	11	366,788	216,377
Total Non-Current Liabilities		366,788	216,377
Total Liabilities		748,126	391,249
Net Assets		20,942,406	17,485,230
EQUITY			
Contributed equity	12	42,045,942	42,046,976
Reserves	13	6,672,458	2,668,976
Accumulated losses	14	(27,775,994)	(27,229,688)
Total Equity		20,942,406	17,485,230

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2015

	Contributed Equity	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	$	$	$	$	$	$
Balance at 1 July 2014	42,045,942	303,429	1,688,747	676,800	(27,229,688)	17,485,230
Profit/(loss) attributable to members of the parent entity	-	-	-	-	(546,306)	(546,306)
Foreign currency translation adjustment	-	3,968,522	-	-	-	3,968,522
Total comprehensive income/(loss) for the year	-	3,968,522	-	-	(546,306)	3,422,216
Transactions with owners in their capacity of owners						
Shares issued, net of issue costs	-	-	-	-	-	-
Share based payment	-	-	34,960	-	-	34,960
Balance at 30 June 2015	**42,045,942**	**4,271,951**	**1,723,707**	**676,800**	**(27,775,994)**	**20,942,406**
Balance at 1 July 2013	42,046,976	870,773	1,634,975	676,800	(26,630,154)	16,599,370
Profit/(loss) attributable to members of the parent entity	-	-	-	-	1,400,466	1,400,466
Foreign currency translation adjustment	-	(567,344)	-	-	-	(567,344)
Total comprehensive income/(loss) for the year	-	(567,344)	-	-	1,400,466	833,122
Transactions with owners in their capacity of owners						
Shares issued, net of issue costs	(1,034)	-	-	-	-	(1,034)
Share based payment	-	-	53,772	-	-	53,772
Balance at 30 June 2014	**42,045,942**	**303,429**	**1,688,747**	**676,800**	**(27,229,688)**	**17,485,230**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		6,731,412	6,946,822
Payments to suppliers and employees		(807,188)	(833,207)
Interest received		95	42
Production costs		(2,933,822)	(2,470,121)
Net cash inflows from operating activities	15(b)	2,990,497	3,643,536
Cash flows from investing activities			
Payments for exploration and evaluation		(2,759,031)	(1,570,167)
Payments for development of oil & gas properties		(699,659)	(1,228,974)
Acquisition of project assets	9(i)	(750,893)	-
Net cash (outflows) from investing activities		(4,209,583)	(2799,141)
Cash flows from financing activities			
Share issue costs		-	(1,034)
Net cash (outflows) from financing activities		-	(1,034)
Net increase / (decrease) in cash and cash equivalents		(1,219,086)	843,361
Cash and cash equivalents at the beginning of the financial year		1,840,990	1,005,646
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		347,622	(8,017)
Cash and cash equivalents at the end of the financial year	15(a)	969,526	1,840,990

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

1. Notes to the Consolidated Financial Statements

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 2015 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 2015.

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. Grand Gulf Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for ended 30 June 2015 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of Change	Nature of Change	Application Date/Date adopted by company
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	There will be no impact on the company's accounting for financial assets and financial liabilities, as the new requirements only effect the accounting for available-for-sale financial assets and the accounting for financial liabilities that are designated at fair value through profit and loss and the company does not have any such financial assets or financial liabilities. The new hedging rules align hedge accounting more closely with the company's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.	Must be applied for financial years commencing on or after 1 January 2018. Therefore application date for the company will be 30 June 2018. The company does not currently have any hedging arrangements in place.
IFRS 15 (issued June 2014) Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Due to the recent release of this standard the company has not yet made an assessment of the impact of this standard.	Must be applied for annual reporting periods beginning on or after 1 January 2018. Therefore application date for the company will be 30 June 2018.

The following standards are not yet effective and are not expected to have a significant impact on the Group's consolidated financial statements:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

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

The Group's accounting policy for exploration, evaluation and development is set out at note 1(d). 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 2015 the carrying amount of Capitalised Oil and Gas Expenditure is $13,551,464 (2014: $10,141,894).

Recoverability of Insurance receivable

The group has incurred costs in relation to the well blow out of the Dugas & Leblanc #1 well with an associated recognised an insurance claim receivable of $972,655 (2014: $84,550). Management consider this balance to be recoverable, however until the insurance company has fully assessed the claim, the amount recognised cannot be guaranteed.

Acquisition of Birdwood

Effective of 1 November 2014, the company completed the 100% acquisition of Birdwood Louisiana LLC ("Birdwood"). Birdwood's main assets are its non-operator interests in oil and gas assets in particular a 3.99% working interest in the Hendarling #1 well and 15% in the Dugas abd LeBlanc #3 well. The company has determined that the acquisition has taken the form of an asset acquisition and not a business combination. In making this decision, the company determined that the nature of the oil and gas activities which is governed by the joint venture operating agreement did not constitute an integrated set of activities in that the company does not control the operational processes of the joint venture. The control of the processes lies with the operator and the right to remove the operator is a protective right rather than a substantive right. Based on the facts above, the acquisition of Birdwood does not constitute a business under the requirements of AASB3 Business conmbination and instead was accounted for as an asset acquisition (refer note 9(i) below).

Critical accounting estimates

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

Share-based payment transactions

The cost of share-based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Rehabilitation obligations

The Group estimates its share of the future removal and remediation costs of oil and gas 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(h). As at 30 June 2015 rehabilitation obligations have a carrying value of $366,788 (2014: $216,377).

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 2015, the carrying value of oil & gas properties is $4,965,133 (2014: $4,264,994).

Reserves estimates

Estimation of reported recoverable quantities of Proven and Probable reserves 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 geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. These factors used to estimate reserves may change from period to period.

Reserve estimates are used to calculate depletion of producing assets and therefore a change in reserve estimates impacts the carrying value of assets and the recognition of deferred tax assets due to the changes in expected future cash flows.

Depletion and depreciation

In relation to the depletion, depreciation and amortisation of capitalised expenditure related to producing oil and gas properties, the Group uses a unit of production reserve depletion model to calculate depletion, depreciation and amortisation. This method of depletion, depreciation and amortisation necessitates the estimation of the oil and gas reserves over which the carrying value of the relevant assets will be expensed to the profit or loss. The calculation of oil and gas reserve is complex and requires management to make judgements about commodity prices, future production costs and geological structures. The nature of reserves estimation is such that reserves are not intended to be 100% accurate but rather provide a statistically probable outcome in relation to the economically recoverable reserve. As the actual reserve can only be accurately determined once production has ceased, depletion, depreciation and amortisation expensed during the production may not on a year to year basis accurately reflect the actual percentage of reserve depleted. However, over the entire life of the producing assets all capitalised costs will be expensed to the profit or loss.

(b) 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 statement of profit or loss and other comprehensive income 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.

(c) 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 Group.

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

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

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

Exploration and evaluation expenditures

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method which is closely aligned to the US GAAP based successful efforts method of accounting for oil and gas exploration and evaluation expenditure.

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 well commences producing commercial quantities of oil and gas, capitalised exploration and evaluation costs are transferred to Oil and Gas Properties – Producing Projects and amortisation commences.

This method allows the costs associated with the acquisition, exploration and evaluation of a prospect to be aggregated on the Consolidated Statement of Financial Position and matched against the benefits derived from commercial production once this commences.

Costs

Exploration lease acquisition costs relating to greenfield oil and gas exploration provinces are expensed as incurred while the costs incurred in relation to established or recognised oil and gas provinces are initially capitalised and then amortised over the shorter term of the lease or the expected life of the project. 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 exploration discovery that, at the reporting date, had not been recognised as an area of interest as an assessment of the existence or otherwise of economically recoverable reserves has not yet been completed; or

- where there exists an economically recoverable reserve, and it is expected that the capitalised expenditure will be recouped through exploitation of the area of interest, or alternatively, by its sale.

Areas of interest are recognised at 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. To the extent it is considered that the relevant expenditure will not be recovered, it is written off.

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

Prepaid drilling and completion costs

Where the Company has a non-operator interest in an oil and gas property, or has outsourced certain development processes of an operated interest in an oil and gas property, it may periodically be required to make a cash contribution for its share of the operator's/contractors estimated drilling and/or completion costs, in advance of these operations taking place.

Where these contributions relate to a prepayment for exploratory or early stage drilling activity, prior to a decision on the commerciality of a well having been made, the costs are capitalised as prepaid drilling costs.

Where these contributions relate to a prepayment for well completion, these costs are capitalised as prepaid completion costs within current assets.

As the operator/contractor notifies the Company as to how funds have been expended, the costs are reclassified from prepaid costs to the appropriate expenditure or capitalised category.

Transfer of capitalised exploration and evaluation expenditure to producing projects (oil and gas properties)

When a well comes into commercial production, accumulated exploration and evaluation expenditure for the relevant Area of Interest it is transferred to producing projects and amortised on a units of production basis.

Producing projects

Producing projects are stated at cost less accumulated amortisation and impairment charges. Producing projects include construction, installation or completion of production and infrastructure facilities such as pipelines, transferred exploration and evaluation assets, development wells and the provisions for restoration.

Amortisation and depreciation of producing projects

The Group uses the “units of production” (“UOP”) approach when amortising and depreciating field-specific assets. Using this method of amortisation and depreciation requires the Consolidated Entity to compare the actual volume of production to the reserves end then to apply this determined rate of depletion to the carrying value of depreciable asset.

Capitalised producing projects costs relating to commercially producing wells are depreciated/amortised using the UOP basis once commercial quantities are being produced within an area of interest. The reserves used in this calculations are the Proved plus Probable reserves and are reviewed at least annually.

(e) 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 or loss statement.

(f) 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.

(g) 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 or 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.

(h) 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.

(i) Inventories

Inventories consist of hydrocarbon stocks. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed and variable production overheads where applicable.

(j) 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.

(k) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable to the extent that it is probable that economy benefits will flow to the Group ant the revenue can be reliably measured.
Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the goods ant the amount of revenue can be measured reliably

(I) Oil and Gas Sales

Revenue from the sale of oil/condensate, gas and natural gas liquids produced is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the products from the following product streams:

- Dry Gas – upon transfer to third party, typically upon entry to a third party sale pipeline;
- Natural Gas Liquids (NGL's) – upon transfer to a third party, typically upon entry to a third party sales pipeline; or
- Oil/Condensate – upon transfer of product to purchasers' transportation mode, either truck or pipeline.

(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 an entity has legally enforceable right to receive payment for services rendered.

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

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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 shares.

(r) 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.

(s) 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.

(t) Segment reporting

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

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

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the Statement of Profit or Loss and Other 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.

(u) Parent entity financial information

The financial information for the parent entity, Grand Gulf Energy Ltd, disclosed in note 25 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.

(v) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

(w) Asset Acquisition not Constituting a business

On 1 November 2014, the Company acquired Birdwood Louisiana for US$575,000. As the acquisition is not deemed a business acquisition, the transaction has been accounted for as an asset acquisition.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

2. Revenue

	2015 $	2014 $
Revenues		
Sale of oil and gas	6,683,166	7,510,572
Total revenues from ordinary activities	6,683,166	7,510,572

3. Profit from operations

	2015 $	2014 $
(a) Other income		
Other income	89,172	-
Total other income	89,172	-

(b) Expenses

Loss before income tax includes the following specific expenses:

	2015 $	2014 $
Cost of sales		
Operating Costs	1,325,770	973,506
Royalties	1,489,162	1,726,667
Total cost of sales	2,814,932	2,700,173
Depreciation		
Plant and equipment	1,602	461
Total depreciation	1,602	461
Rental expense relating to operating leases		
Minimum lease payments	96,437	98,800
Total rental expense relating to operating leases	96,437	98,800
Foreign exchange gains and losses		
Net foreign exchange losses	10,757	10,499

4. Income tax

(a) Income tax expense

	2015 $	2014 $
Current tax	-	-
Deferred tax	-	-
Under (over) provided in prior years	-	-
	-	-

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

	2015 $	2014 $
Profit/(loss)from ordinary activities before income tax expense	(546,306)	1,400,467
Prima facie tax benefit on gain from ordinary activities at 30% (2014: 30%)	(163,892)	420,140
Adjustment for foreign jurisdiction tax rate differential	10,199	97,493
	(153,693)	517,633
Add tax effect of non-temporary adjustments	38,518	248,298
Tax effect of current year tax losses for which no deferred tax asset has been recognised/(Recoupment of prior period tax losses)	410,400	282,044
Timing differences previously not recognised	(295,225)	(1,047,974)
Income tax expense / (benefit)	-	-

(c) Unrecognised temporary differences

	2015 $	2014 $
Deferred tax assets		
Tax losses at 30%	3,033,396	2,829,554
Temporary differences at 30%	11,897	6,000
Tax losses – foreign subsidiaries (30%)	10,034621	8,892,829
Temporary differences at 34%	3,277,900	1,041,816
	-	-
Set off against DTLs	(4,008,540)	(2,142,340)
Net DTAs	**12,349,273**	**10,627,860**
Deferred tax liabilities		
Temporary differences at 30%	-	-
Temporary differences at 34%	4,008,540	2,142,340
Set off against DTAs	(4,008,540)	(2,142,340)
Net DTLs	**-**	
Net deferred tax asset not recognised	**12,349,273**	**10,627,860**

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

	2015 $	2014 $
Current		
Trade and other receivables (i)	1,156,439	1,423,152
Insurance claim receivables	1,017,781	84,550
Prepayments (ii)	47,906	111,819
	2,222,126	1,619,521

(i) Other receivables include trade debtors, sales revenue amounts outstanding for goods & services tax (GST). GST amounts are non-interest bearing and have repayment terms applicable under the relevant government authorities.

(ii) Prepayments include cash calls remaining prepaid at balance date of $47,906 made to the Abita project.

Refer to note 23 for the Group's financial risk management policies.

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

7. Computer equipment

	2015 $	2014 $
Plant and equipment		
At cost	11,529	9,452
Accumulated amortisation	(2,063)	(461)
	9,466	9,081

8. Exploration expenditure and evaluation

	2015 $	2014 $
Capitalised exploration and evaluation expenditure	30,336,011	26,368,582
Provision for impairment	(16,784,547)	(16,226,688)
Capitalised exploration and evaluation expenditure	13,551,464	10,141,894
Capitalised exploration and evaluation expenditure		
Carrying amount at beginning of year	10,141,894	10,176,369
Expenditure during the year	3,109,577	1,488,852
Disposals	-	-
Acquisitions (9(i))	78,354	-
Transfer to development	(1,657,223)	-
Foreign exchange differences	2,436,720	(324,480)
Impairment of capitalised expenditure	(557,858)	(1,198,847)
Carrying amount at end of year	13,551,464	10,141,894

8. Exploration expenditure and evaluation (contimued)

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

9. Oil and Gas Properties

	2015 $	2014 $
Producing oil & gas assets	8,639,687	7,041,037
Provision for impairment and amortisation	(3,701,737)	(2,776,043)
	4,937,950	4,264,994
Capitalised oil and gas properties		
Carrying amount at beginning of period	4,264,994	5,162,200
Expenditure during the year	385,530	407,456
Transfer from Exploration and Evaluation Expenditure	1,657,223	-
Acquisitions (9(i))	748,832	-
Foreign exchange differences	907,790	(139,519)
Amortisation	(925,694)	(1,165,143)
Impairment of capitalised expenditure	(2,100,725)	-
Carrying amount at end of year	4,937,950	4,264,994

Oil and Gas properties are stated at the higher of its fair value less costs to sell and its value in use. Impairment loss is recognised when the carrying amount of the asset (CGU) exceeds its recoverable value.

(i) Birdwood Acquisition

During the period the Group acquired Birdwood Louisiana LLC. The effective date of the acquisition was 1 November 2014 with the fair value of assets and liabilities acquired (in Australian dollars) as follows:

	1-Nov-2014 $
Purchase Consideration	
Cash	750,893
Net Assets Acquired	
Fause Point	78,354
Dugas & Leblanc #3	130,590
Hensarling #1	618,242
Less : Restoration Provision	(76,293)
Deferred exploration and evaluation	750,893

10. Trade and other payables

	2015 $	2014 $
Current		
Trade creditors	381,338	174,872
	381,338	174,872

Risk exposure: Information about the Group's exposure to foreign exchange risk is provided in note 23. Due to the short-term nature of the current payable, their carrying amount is assumed to be the same as their fair value.

11. Provisions

	2015 $	2014 $
Non-Current		
Asset retirement obligation	366,788	216,377

(a) Reconciliations

Asset retirement obligation		
Carrying amount at beginning of year	216,377	207,618
Additional provisions recognised/recalculated	150,411	8,759
Carrying amount at end of year	366,788	216,377

12. Contributed equity

(a) Issued and paid up share capital

	2015 Number of Shares	2015 $	2014 Number of Shares	2014 $
Balance at the beginning of the year	747,998,870	42,045,942	747,998,870	42,046,976
Less: transaction costs		-		(1,034)
	747,998,870	**42,045,942**	**747,998,870**	**42,045,942**

(b) Terms and conditions of contributed equity

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

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. Refer note 23 for details of the Group's capital management policy.

(c) Share options

During the period the Company issued 27,000,000 incentive options. As at 30 June 2015 the Company has on issue 27,000,000 (30 June 2014: Nil) options over unissued ordinary shares. Movement of options during the period are summarised below:

	Exer-cise price	Expiry date	Balance at beginning of year	Issued during the year	Exercised during the year	Cancelled during the year	Balance at end of year
			Number	**Number**	**Number**	**Number**	**Number**
Unlisted options	$0.014	30/11/18	-	27,000,000	-	-	27,000,000
			-	27,000,000	-	-	27,000,000

13. Reserves

	2015 $	2014 $
Foreign currency translation (a)	4,271,951	303,429
Share option reserve (b)	1,723,707	1,688,747
Option premium reserve (c)	676,800	676,800
	6,672,458	2,668,976

(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.

	2015 $	2014 $
Balance at beginning of year	303,429	870,773
Gain / (loss) on translation of foreign controlled entities	3,968,522	(567,344)
Balance at end of year	4,271,951	303,429

(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.

	2015 $	2014 $
Balance at beginning of year	1,688,747	1,634,975
Share based payment expense	34,960	53,772
Balance at end of year	1,723,707	1,688,747

(c) Option premium reserve

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

	2015 $	2014 $
Balance at beginning of year	676,800	676,800
Balance at end of year	676,800	676,800

14. Accumulated losses

	2015 $	2014 $
Balance at beginning of year	(27,229,688)	(28,630,154)
Net profit(loss) attributable to members of the Company	(546,306)	1,400,466
Balance at end of year	(27,775,994)	(27,229,688)

15. 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:

	2015 $	2014 $
Cash on hand	969,526	1,840,990

The Group's exposure to interest rate risk is discussed in note 23. 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 profit after related income tax to net cash outflows from operating activities

	2015 $	2014 $
Profit/(loss) for the year	(546,306)	1,400,466
Depreciation	1,602	461
Impairment and write-off of oil and gas assets	2,658,583	1,210,382
Amortisation	925,694	1,165,143
Share based payments	34,960	53,772
Exchange rate differences on assets/liabilties held in foreign currencies	225,606	(27,648)
Changes in net assets and liabilities		
(Increase) / decrease in assets:		
Trade and other receivables	(666,518)	(415,336)
Capitalised expenditure	-	702,257
Increase / (decrease) in liabilities:		
Trade and other creditors	206,465	(454,720)
Provisions	150,411	8,759
Net cash inflows from operating activities	2,990,497	3,643,536

16. Expenditure commitments

Lease commitments

	2015 $	2014 $
Operating leases (non-cancellable)		
Not later than one year	96,437	98,800
Later than one year and not later than five years	-	-
	96,437	98,800

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

17. Non-cash investing and financing activities

Options issued to employees, consultants, Directors and financiers for no cash consideration are shown in Directors' Report and note 24.

18. Contingent liabilities

The Group had no current contingent liabilities as at 30 June 2015 other than as stated below.

Napoleonville Well control

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

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

In June 2013 the Company settled all other commercial cases associated with landowners and neighbouring businesses operating in close proximity to the #1 Well event. In addition, a commercial settlement between the JV partners and the workover operator of the rig were reached. Both settlements were similar in value and have resulted in a negligible net impact to Grand Gulf but have removed a significant amount of exposure for the Company.

On 23 September 2015 the Company finalised the class action that was filed in the U.S. against the Operator of the #1 Well in State Court for damages by certain residents of the Napoleonville area in 2010. This brings to a close all litigation in respect of the blowout.

The Company has some minimal remediation remaining at the site where the blowout occurred. The vast majority of the affected lands have been handed back and is presently being farmed. The JV continues to be liable for ongoing salinity testing on the blowout location and remediation mostly around the blow out location. Whilst the insurance for the Company's initial 40% WI in the blowout will terminate following the reimbursement of the latest claims (including the recovery of the class action litigation noted above) the Company will continue to be insured for the recent acquisition of Birdwoods 15% WI exposure. The potential ongoing cost to the Company is expected to be no more than US$500,000. Based on current and future cashflows expected, the Board does not consider this potential outflow to have a material adverse effect on the company.

Desiree Litigation

The Company advised in July 2014 that a previous JV partner in the Desiree Project was suing the Company for a 5.3% WI (4.63% WI net to GGE) in the Desiree Project and leases. The partner formally withdrew from the project in December 2011 and, subsequent to the well having commenced drilling, demanded their interest be reinstated. GGE's right to its working interest is being vehemently defended. The matter was removed from court and will be dealt with in private arbitration with a hearing set for November 2015.

Apart from the potential contingent liabilities noted above, there are no further contingent assets or liabilities existing at 30 June 2015.

The Board is mindful of its obligations to investors and will immediately update ASX as and when further information becomes available.

19. Events occurring after reporting date

There were no subsequent events.

20. Earnings per share

The Company has no options or other convertible securities, accordingly the based and diluted earnings per share are the same. The following reflects the gain and share data used in the calculation of basic and diluted gain per share:

Basic/diluted earnings/(loss) per share

	2015 $	2014 $
Profit/(loss) used in calculating basic gain per share	(546,306)	1,400,466
Weighted average number of ordinary shares used in calculating basic earnings per share	747,998,8 70	747,998,870
Basic/Diluted earnings/(loss) per share (cents per share)	(0.07)	0.19

21. Auditor’s remuneration

	2015 $	2014 $
Audit or review of financial report AUS	50,000	50,000
	50,000	50,000

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

22. Segment information

Operating segments

The consolidated entity is organised into one operating segment, being oil & gas production and exploration operations. This operating segment is based on internal reports that are reviewed and used by the Board of Directors, who are identified as the Chief Operating Decision Makers (‘CODM’), in assessing performance and in determining the allocation of resources.

The principle products and services of this operating segment is the production and exploration operations in Louisiana, United States.

As noted above, the board only considers one segment to be a reportable segment for its reporting purposes. As such, the reportable information the CODM reviews is detailed throughout the financial statements.

23. 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 reduces 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 wholly owned subsidiaries. Risk management is carried out by the Board as a whole, which provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Market Risk

(i) Foreign exchange risk

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

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

(ii) Commodity price risk

Due to the nature of the Group's principal operations being oil & gas exploration and production the Group is exposed to the fluctuations in the price of oil & gas. Although the Group 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 consolidated cash at bank at June 2015 and June 2014. Due to the majority of the Company funds held in US$ and the US$ interest rates being less than 0.25% the materiality of any sensitivity movements would be immaterial.

(iv) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is not significantly exposed to credit risk from its operating activities, however the Board constantly monitors customer receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Group does not hold collateral as security. No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to financial instruments and cash deposits. Credit rating of cash is A+; all funds are held by Frost Bank and NAB which have government guarantees on deposits.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised below, none of which are impaired or past due.

	CARRYING AMOUNT	
In thousands of AUD	**2015 ($)**	**2014 ($)**
Cash and cash equivalents	969,526	1,840,990
Trade and other receivables	1,156,439	1,423,152
Insurance claim	1,017,781	84,550

(v) Capital Risk and Liquidity Risk Management

The Group's total capital is defined as shareholder's funds, plus net debt and amounted to $20,354,218 at 30 June 2015 (2014: $15,819,113). 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 did not have access to the borrowing facilities during the year.

Maturities of financial liabilities

The tables below analyse the Group'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.

At 30 June 2015	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	381,338	-	-	-	-	381,338	381,338
Total	381,338	-	-	-	-	381,338	381,338

At 30 June 2014	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	174,872	-	-	-	-	174,872	174,872
Total	174,872	-	-	-	-	174,872	174,872

24. 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 which are granted under the plan and under the discretion of the board to executives and consultants of the Company are for no consideration. Options granted under the plan carry no dividend or voting rights and have varied contractual lives. During the year the Company issued options to Executives and Consultants outside of this plan.

Grand Gulf Energy Limited – 2015

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
20 Nov 14	30 Nov 18	$0.014	-	27,000,000	-	27,000,000	-
Total			-	27,000,000	-	27,000,000	-
Weighted Average Exercise price			1.4c				

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2015 was 1.4c (2014 – 3.75c).

Grand Gulf Energy Limited – 2014

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
01 Dec 11	30 Nov 13	$0.03	18,000,000	-	18,000,000	-	-
7 May 10	15 Mar 14	$0.045	3,000,000	-	3,000,000	-	-
Total			21,000,000	-	21,000,000	-	-
Weighted Average Exercise price			3.75c				

(b) Fair value of options granted

The Company has an established Employee Share Option Plan ("Plan") that allows executives and consultants to participate in Share Option allocations as determined by the Board from time to time. Details of the Employee Share Option Plan are disclosed in the Remuneration Report for the year ended 30 June 2014. During the half-year ended 31 December 2014, 27,000,000 incentive options were granted to directors and consultants and approved by shareholders at the AGM on 20 November 2014. The purpose of the grant is for the Company to retain their high calibre services and to provide cost effective remuneration to these directors and consultants for their ongoing commitment and contribution to the Company. On 20 November 2014 shareholders approved the issue of Share Options to non-executive Directors, executive Directors and the Company's consultants. The terms and conditions of the grants made during the year ended 30 June 2015 are as follows:

	Number	Vesting Conditions	Exercise Price	Expiry Date
Share Options (iii)				
Executive Directors (i)	13,000,000	(ii)	$0.014	30-Nov-18
Non-Executive Directors	3,000,000	(ii)	$0.014	30-Nov-18
Consultants	11,000,000	(ii)	$0.014	30-Nov-18

(i) 8,000,000 options were issued to Mark Freeman, 5,000,000 were issued to Allan Boss and 3,000,000 options were issued to Stephen Keenihan.
(ii) 20% of the options will vest immediately; 30% of the options will vest on the first anniversary and; 50% will vest on the second anniversary.
(iii) Option grant date was 20 November 2014 and issue date was 27 November 2014

Fair value of options granted are as follows:

	Directors (a)	Consultants (b)
Fair Value of Security at measurement date	$0.0025	$0.0025
Share Price at Grant Date	$0.007	$0.007
Exercise Price	$0.014	$0.014
Expected Volatility	50%	50%
Option Life	4 years	4 years
Expected Dividends	Nil	Nil
Risk Free interest rate	2.25%	2.25%

(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:

	2015 $	2014 $
Options issued to consultants*	14,241	40,048
Options issued to Directors**	20,714	27,533
	34,955	67,581

*This expense related to the fair value of the 11,000,000 options issued to consultants and finance providers. These options were valued at a total of $27,533 and the balance will be expensed over the life of the options.
** This expense related to the fair value of the 16,000,000 options issued to consultants and finance providers. These options were valued at a total of $40,048 and the balance will be expensed over the life of the options.

25. Parent Entity Financial Information

Summary financial information

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

	2015 $	2014 $
Statement of Financial Position		
Current assets	196,741	141,744
Non-current assets	15,005,826	15,823,464
Total assets	15,202,567	15,965,208
Total liabilities	82,774	76,574
Net assets	15,119,793	15,888,634
Shareholders' equity		
Issued capital	42,045,942	42,045,942
Reserves	2,398,362	2,365,548
Accumulated losses	(29,324,511)	(28,522,856)
	15,119,793	15,888,634
Loss for the year	(799,916)	(1,035,443)

26. Related Party Transactions

(i) Parent entity

The ultimate parent entity within the group is Grand Gulf Energy Limited (the legal parent).

(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	2015	2014
		%	%
Grand Gulf Operating Inc*	USA	100	100
Alto Energy Limited	Australia	100	100
GG Oil & Gas 1, INC	USA	100	100
GG Oil & Gas 2, INC	USA	100	100
GG Oil & Gas, INC	USA	100	100
Birdwood Louisiana LLC	USA	100	-

* Previously named Golden Fleece Petroleum Inc

Investments in controlled entities held by Alto Energy Limited

	Country of incorporation	2015	2014
		%	%
Grand Gulf Energy Inc	USA	100	100

(iii) Key management personnel compensation

	2015 $	2014 $
Short-term employee benefits	528,900	542,490
Share-based payments	20,714	19,980
	549,614	562,470

Detailed remuneration disclosures are provided in the Remuneration Report on pages 10-13.

(iv) Other transactions with key management personnel

No loans have been made during the financial period or at the date of this report to any key management personnel. A number of key management personnel, 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	2015 $	2014 $
Specified Directors & Executives			
Mr C Morgan		-	3,713
Mr S Keenihan		-	11,025
Mr A Boss	(i)	37,828	31,167

(i) $37,828 was paid to Mr. Boss during the year for legal secretarial services performed relating to ongoing litigation.

(v) Contingent Liabilities and Commitments

The Parent Company has no contingent liabilities or commitments other than as those disclosed in the notes

DIRECTOR'S DECLARATION

Directors' Declaration

1. The financial statements, comprising the consolidated statement of Profit or Loss and Other Comprehensive Income, consolidated statement of financial position, consolidated statement of cash flows and consolidated 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 other mandatory professional reporting requirements ; and
   (b) give a true and fair view of the consolidated financial position as at 30 June 2015 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 Directors have been given the declarations by the chief executive officer and chief financial officer required by s295A.

4. Note 1(a) confirms that the financial standards also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board

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

Mr Mark Freeman
Director

Perth, 30 September 2015

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Subiaco, WA 6008
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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Grand Gulf Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Grand Gulf Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Grand Gulf Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Grand Gulf Energy Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. 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.

Opinion

In our opinion, the Remuneration Report of Grand Gulf Energy Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

Yours sincerely

BDO Audit (WA) Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 30 September 2015

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 2014 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") and has adopted the revised Principles and Recommendations taking effect from reporting periods beginning on or after 1 January 2008. Significant policies and details of any significant deviations from the principles are specified below.

Corporate Governance Council Recommendation 1
Lay Solid Foundations for Management and Oversight

The Role of the Board and the Board Charter

The Board's Duties

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

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

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

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

Corporate Governance Council Recommendation 2
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 an executive chairperson, two executive directors and one non-executive director. 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 one of the directors is 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 Keenihan meets the criteria in Principle 2. He has no material business or contractual relationship with the Company, other than as a director and no conflicts of interest which could interfere with the exercise of independent judgement.

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

Mr Freeman and Mr Boss are employed in an executive capacity by the Company and so cannot be considered to be independent.

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

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

Independent Chairman

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

Roles of Chairman and Chief Executive Officer

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

Nomination and Appointment of New Directors

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

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

Grand Gulf Energy's Board Meetings

The Board met 5 times between 1 July 2014 and 30 June 2015.

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

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

Performance Review

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

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

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

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

Board Members' Rights to Independent Advice

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

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

Corporate Governance Council Recommendation 3
Promote Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

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

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

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

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

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

Diversity Policy

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

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

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

Gender Diversity

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

Women Employees, Executives and Board Members

The Company and its consolidated entities have three (3) female employees/executives:

Its financial controller;
its office manager; and
an executive assistant

which represent approximately 33% of the total employees, executives and/or board members of the Company and its consolidated entities. There are currently no female members of the Board of the Company.

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

Securities Trading by Grand Gulf Energy Directors and Employees

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

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

Corporate Governance Council Recommendation 4
<u>Safeguarding Integrity in Financial Reporting</u>

Financial Reporting

Consistent with ASX Principle 4.1, the Company's financial report preparation and approval process for the financial year ended 30 June 2015 involved both the Executive Director and the Company Secretary providing detailed representations to the Board covering:

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

Audit and Compliance Committee

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

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

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

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

Corporate Governance Council Recommendation 5
Make Timely and balanced disclosure

Continuous Disclosure

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

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

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

Corporate Governance Council Recommendation 6
Respect the Rights of Shareholders

Shareholder Communications

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

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

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

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

Corporate Governance Council Recommendation 7
Recognise and manage risk

Risk Identification and Management

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

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

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

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

- Business risk management

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

- Internal controls

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

- Financial reporting

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

- Operations review

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

- Environment and safety

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

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

Risk Reporting

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

The Company does not have an internal audit function.

Executive Director and Chief Financial Officer Written Statement

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

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

Corporate Governance Council Recommendation 8
Remunerate Fairly and Responsibly

Remuneration for directors and executives

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

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

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

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

Distinguish Between Executive and Non-Executive Remuneration

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

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

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

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

Remuneration Committee

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

The Board has determined that a separate Remuneration Committee is not warranted due to the size and nature of the Company.

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.

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

1. Statement of issued capital

a) Distribution of fully paid ordinary shares

Size of Holding			Number of Shareholders	Shares Held
1	-	1,000	61	6,022
1,001	-	5,000	16	52,466
5,001	-	10,000	15	122,150
10,001	-	100,000	266	16,253,687
100,001	and	Over	503	731,564,545
			861	747,998,870

b) There are 302 shareholders holding unmarketable parcels represented by shares.

c) There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

2. Substantial shareholders

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

Charles Morgan	21.1%
Craig Ian Burton	24.6%

3. Quotation

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

4. Top Twenty Shareholders as at 22 September 2015

The twenty largest shareholders hold 62.475% of the total issued ordinary shares in the Company as at 22 September 2015.

	Name	Number of Shares	% of Issued Shares
1.	SEASPIN PTY LTD <APHRODITE A/C>	158,100,476	21.136
2.	ALBA CAPITAL PTY LTD	90,041,561	12.038
3.	SKYE EQUITY PTY LTD	52,800,000	7.059
4.	SACHA INVESTMENTS PTY LTD	25,098,974	3.355
5.	ALBA CAPITAL PTY LTD	19,619,108	2.623
6.	AVIEMORE CPITAL PTY LTD	15,117,114	2.021
7.	ARMDIG PTY LTD	11,250,000	1.504
8.	MR ADRIAN HARTONO	10,913,372	1.459
9.	KAMIRA INVESTMENTS PTY LTD	9,856,000	1.318
10.	PROSPERO CAPITAL PTY LTD	9,150,193	1.223
11.	CRAIG BURTON <CI BURTON FAMILY A/C>	8,482,220	1.134
12.	AUZY PTY LTD <AUZY TRADE A/C>	8,000,000	1.070
13.	MR STUART CHARLES GRACE & MR TRENT CHRISTIAN GARDNER <MEGA SQUARE A/C>	7,800,000	1.043
14.	MR DOUGAL JAMES FERGUSON	7,000,000	0.936
15.	CRIMSON HOLDINGS PTY LTD <CRIMSON HOLDINGS A/C>	6,400,000	0.856
16.	LIFWARD PTY LIMITED	6,047,594	0.809
17.	MR KRISHNA RAVICHANDRAN & MR SRINIVASAN RAVICHANDRAN <LARK SUPER FUND A/C>	6,000,000	0.802
18.	DR HUA YI LI & MRS MEI LUN LIN	5,332,000	0.713
19.	MR NATHAN KOKOSZKA	5,300,000	0.709
20.	MR CRAIG DAVID MERCOVICH	5,000,000	0.668
		467,308,612	62.475