GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

INTERIM REPORT

FOR THE HALF YEAR ENDED

31 December 2016

CONTENTS

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2016.

DIRECTORS

The names of directors who held office during or since the end of the half-year are:

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

Principal activity

The principal activity of the consolidated entity during the period was the exploration for and production of oil and gas.

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

Results and review of operations

The Company's net share of production for the year to 31 December 2016 was 11,685 bbls of oil and 21,591 Mcf of gas with gross revenue of $1,437,377 (2015: $2,477,062).

After royalties and production costs the Company delivered a gross profit for the half year before amortisation of $737,407 (2015: $1,364,610). The loss for the half year after income tax was $1,847,164 (2015: profit $107,624).

During the financial period the consolidated entity continued its exploration and development activities as set out below.

PRODUCTION

Total net share of oil and gas production for the half year was:

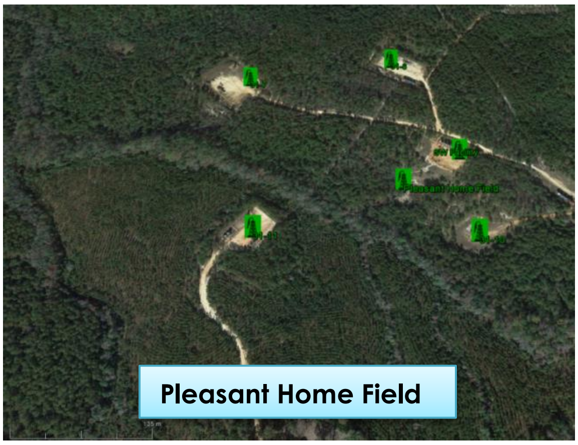
	2015	2016	2017
Oil (bbls)	33,045	32,855	11,685
Gas (mcf)	45,238	38,560	21,591
% Oil Equ.	95%	95%	98%

COMPANY UPDATE

The Company has had a very active half year with the acquisition of an interest in the Pleasant Home Field in Alabama and the renewed activity at West Klondike showing encouraging results in the Lario. In addition the Company made its first investment in Poland with the participation in the Boleslaw #1 well drilled in December 2016 and January 2017 which was unfortunately a dry hole.

EXPLORATION AND DEVELOPMENT

PLEASANT HOME FIELD - EARN-IN 50% WI



The Company executed an earn-in agreement over Pleasant Home in October 2016. Operations commenced in November 2016 on the Smak Dixon 31-11 well and were completed January 2016 where the well was immediately placed on production. The well is presently on production at a rate of ~40-50 bbls of oil per day.

During the re-completion the well tested 4 separate intervals which yielded collectively 140-160 bopd during short term clean-up testing.

Flow rates will continue to be optimised to achieve maximum flow rates and the market will be advised as this progresses.

The Company is very pleased with the results from the workover and in particular the successful completion of the 9,850ft Hosston zone which was bypassed pay recognised by shows and the RST log.

Whilst it is still early days with respect to production, the Company has gained a significant amount of new information in respect of the methods needed to recomplete these intervals and in particular the benefits of using the RST log tool to identify bypassed pay zones. The RST log also confirmed multiple, thinner, potential zones of interest above the 9850ft Hosston Sand. These intervals will be evaluated in due course.

The results of the re-completion indicate that a new well on the field may be justified. Such a well would avoid some of the challenges encountered during the 31-11 operations associated with zone isolation and allow the application of production enhancement techniques (such as an acid wash) which are expected to deliver higher flow rates from the reservoirs.

The Company is presently reviewing plans to either re-complete the Smak Dixon 31-6 or drill a new well.

A reserve report has been completed below.

Contract Terms

- GGE will undertake RST and CBL type logs on 2 wells (31-11 has been completed).
- Following re-completion of the first well the Company will have earned a 50% WI in that well and its facilities and will derive 75% of net revenues until its re-completion costs and entry costs are recovered. In the event the well is uncommercial the Company may withdraw from the project with no further obligations.
- Contingent upon 60 days of commercial production from the re-completion of the 31-11 the Company will issue 19,500,000 ordinary fully paid shares to the Operator.
- Following re-completion of the second well the Company will have earned a 50% WI in the field and all facilities.
- Grand Gulf's has met it's earn-in financial commitment of $350,000 of re-completion costs. All future costs are now shared 50/50 with the operator. In addition, GGE has paid an entry fee of US$50,000.

RESERVE REVIEW OF PLEASANT HOME FIELD
HOSSTON SANDS (9,850' SAND)

The 9,850' Sand was recently completed in the #31-11 and has been commingled with 3 sets of previous perforations. This commingled Hosston completion has averaged 49 BOPD and 64 BWPD during the analysed period in February 2017. Grand Gulf Energy has "earned a 50% working interest and 37.5% net revenue interest (75% royalty burden)" in the #31-11 under the terms of the Pleasant Home Field contract.

The Hosston Sand in the #31-11 is classified as a Proved Developed Producing reserve with volumes allocated to all 3 sub-classifications (1P, 2P, & 3P). Reserves have been calculated using a combination of analogy, volumetrics, and production performance analysis.

Well	Res Class	1P MBO (8/8)	2P MBO (8/8)	3P MBO (8/8)
#31-11	**Proved**	**31.4**	**70.0**	**108.5**

Contingent Resources have been assigned to the #31-6 well bore as this project is considered an "investment opportunity". As the 31-6 well is tapping the equivalent reservoir section with similar characteristics over an equal area, the resources ascribed are the same as the adjacent PDP in 31-11. The bulk volume within closure is 910 acres/ft. with an estimated areal extent of 80 acres. Using an average of 21% porosity & 56% water saturation with an oil formation volume factor (FVF) of 1.2 yields 544 MBO in place (598 BAF). Using a recovery efficiency of 40% yields 217 MBO recoverable (239 barrels per acre foot). This volume was equally distributed (108.5 MBO) to each well thereby using a 40 ac/well spacing. These resources are contingent upon Grand Gulf Energy running RST and CBL logs and performing zonal isolation with cement if deemed necessary to recover the reported volumes.

Well	Res Class	1C MBO (8/8)	2C MBO (8/8)	3C MBO (8/8)
#31-6	**Contingent Resource**	**31.4**	**70.0**	**108.5**

The #31-6 is essentially "on strike" to the #31-11 & should have a similar reserve profile using this 40 ac/well spacing. I categorize these reserves as a Contingent Resource since RST & CBL logs have yet to be run & zonal isolation has been proven to be a major concern in Pleasant Home Field.

RODESSA SAND (7,600' SAND)

The Rodessa is classified as a Contingent Resource and is in the sub-classification of "3C".

Well	Res Class	1C MBO (8/8)	2C MBO (8/8)	3C MBO (8/8)
	Contingent Resource			**648**

The Contingent Resources associated with the Rodessa are volumetrically calculated using subsurface structure and net pay isopachs. The geologic maps were generated by Henry Greaves (Registered Geologist, Mississippi, USA) in October 2016. The rock volumes (2,530 ac-ft.) within closure contain 1,619 MBO in place and using a 40% recovery efficiency yields 648 MBO of recoverable oil.

Justification for the Contingent Resource classification is as follows:

1. Uneconomical production test in the #31-7 well. This test in January 2011 yielded 1,308 BO & 117,256 BW which is a 99% water cut. Open hole log character (Rt < 1.0 ohm-m) supports this production test.

2. Side wall cores in the #31-6 well, highest well on structure, were analysed as WATER cores with excellent porosity and did not have any fluorescence. However, open hole log character is favourable with good resistivity's (Rt >1.5 to 2.0 ohm-m) and good sonic porosity.

3. The reservoir saturation tool log (RST) recently run on the #31-11 did not calculate any pay throughout the entire Rodessa interval.

Competent Persons Statement

The information in this report has been reviewed and signed off by Kevin Kenning (Registered Reservoir Engineer) with over 33 years relevant experience within oil and gas sector. This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates. Mr Kevin Kenning 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 Kenning's 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).

BOLESLAW PROJECT 20.4% WI – POLAND

GGE acquired 20.4% of the high impact 87BCF Boleslaw gas prospect in the Kolo Licence in central Poland. The Well spud on 10 December 2016 and reached a total depth ('TD') of 1550 meters on 10th January 2017. The well intersected the designated objectives, however no commercial recoverable hydrocarbons were indicated and the well has been plugged and abandoned.

Partners in the Kolo license will conduct a detailed post-drill technical review of all relevant well and seismic data to determine the way forward with this exploration license. GGE also have a 20.4% interest in the Kolo Licence which covers 1,150 square kilometres.

PRODUCTION AND DEVELOPMENT

Desiree Field, Non Operator 39.65% WI
Napoleonville Salt Dome, Assumption Parish, Louisiana

The Hensarling #1 well (Desiree Field) was placed on production on 3 July 2013 and has produced over 430,102 barrels of oil. The well is presently producing at rates of around 200 bbls oil per day and 160 BSW per day. The dynamics of the well production have changed and production will continue to vary until the well stabilisers. As a result of the water production and reduced oil production, the Company has revised its reserve figures (refer following page).

Production 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. As of December 2016 the Templett #1 has been successfully converted to a salt water disposal well and the costs of SW disposal have reduced considerably.

Dugas & Leblanc #3 Non Operator 55.5% WI
Napoleonville Salt Dome, Assumption Parish, Louisiana

The D&L#3 "M" sand was successfully perforated and placed on production on 18 October 2011. The D&L#3 well (Dugas & Leblanc Field) averaged 58 barrels of oil per day with total production for the quarter being 5,226 barrels. During the quarter, the well was off production for 9 days as a result of a tubing leak that was required to be repaired. The well is presently producing at ~74 bbls per day. The well has produced over 255,475 barrels of oil and 0.5 BCF gas. The D&L #3 well continues to outperform previous reserve estimates.

Abita Field
Non Operator 20% WI
Plaquemine Parish, Louisiana,

The field is being operated by DW Wapiti Investments I, LLC in Plaquemine Parish, Louisiana. The well commenced producing on 18 March 2012.

The SL 19706 #1 well was re-completed in the final remaining interval, the 15 sand, and placed back on production on 28 September 2016 during the December quarter for a total of 316 bbls of oil and 53,053 mcfg. The well is presently producing 990 mcfgd and 10 bopd.

West Klondike
Wilbert Sons LLC #1 Non Operator 11.925% WI
Iberville Parish, Louisiana,

GGE participated in the drilling of the West Klondike discovery well in late 2012. The well commenced producing gas from the lower Nod Blan on 4 September 2014. The lower gas zones were drained and the remaining unproduced zone is the Lorio oil sand.

There has been significant activity in the project over the last few months. The previous operator attempted to complete the Lorio in August 16 and whilst oil was recovered to surface the well failed to flow naturally. Following the failed re-completion, Oleum Operating LLC acquired 76.7% of the well and Operatorship. Oleum has significant operating experience in the area and in these type of sands.

Oleum pulled the existing completion out of the hole, and determined that asphaltines had deposited in the formation near the wellbore in the Lorio formation. Oleum performed an acid wash and attempted to flow the well naturally. Whilst the inflow performance improved and oil was recovered, the decision was made to perform a mini-frac and put the well on jet pump to optimise production.

The frac was successfully performed in late December and the well whilst has produced commercially has experienced debris causing production flow problems. The debris is a result of the varnish coming of exterior of the tubing and a filter system is currently being deployed to resolve the issue. The Operator remains positive of the wells commerciality. During January and February 2017 the well produced over 1,000 barrels of oil.

AGM RESULTS

The Company confirms that all resolutions put to shareholders at the Annual General Meeting held on 30 November 2016, were carried unanimously on a show of hands.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

BOLESLAW PROJECT 20.4% WI – POLAND

The Well spud on 10 December 2016 and reached a total depth ('TD') of 1,550 meters on 10th January 2017. The well intersected the designated objectives, however no commercial recoverable hydrocarbons were indicated and the well has been plugged and abandoned.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 of the financial statements for the half year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors.

Dated 14th March 2017

Mark Freeman
Managing Director

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

As lead auditor for the review of Grand Gulf Energy Limited for the half-year ended 31 December 2016, 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 review; and

2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2017

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 $	Restated [1] 31 December 2015 $
Revenue		1,437,377	2,477,062
Cost of sales		(699,970)	(1,112,452)
Amortisation of oil and gas properties	8	(315,340)	(455,583)
Gross profit		422,067	909,027
Other Income	4	305	869,748
Interest income		37,469	40
Employee benefits expense		(227,301)	(244,087)
Share Base Payment		(268,128)	-
Professional and statutory fees		(87,153)	(108,420)
Corporate office expenses		(56,550)	(37,932)
Hedging Cost		(94,028)	(119,949)
Impairment of oil and gas properties	8	(282,140)	-
Exploration Expenses		(1,251,936)	(1,117,737)
Foreign exchange gain		(75)	7,496
Other expenses from ordinary activities		(36,939)	(49,275)
Depreciation		(2,754)	(1,287)
Profit/(Loss) before income tax		(1,847,164)	107,624
Income tax benefit/(expense)		-	-
Profit/(Loss) for the half year		(1,847,164)	107,624
Other Comprehensive Income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign entities		96,692	307,369
Total comprehensive profit for the half year		(1,750,472)	414,993
		Cents	**Cents**
Earnings/(Loss) per share			
Basic earnings/(loss) per share		(0.247)	0.014
Diluted earnings/(loss) per share		(0.247)	0.014

[1] *Refer to Note 10 for details regarding the restatement as a result of a change in accounting policy*

The Consolidated Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the Consolidated Statements set out on pages 13 to 19.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 $	30 June 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents		2,007,319	3,108,828
Trade and other receivables	7	490,956	548,951
Insurance claim receivables	7	5,450	29,364
Prepayments	7	37,964	14,335
Put options		49,154	142,790
Total Current Assets		2,590,843	3,844,268
Non-Current Assets			
Investment		2	-
Computer equipment		8,118	10,685
Oil and gas properties	8	3,184,781	3,558,649
Total Non-Current Assets		3,192,901	3,569,334
Total Assets		5,783,744	7,413,602
LIABILITIES			
Current Liabilities			
Trade and other payables		177,572	517,377
Loans from Directors	9	180,385	-
Total Current Liabilities		357,957	517,377
Non-Current Liabilities			
Provisions		382,287	370,381
Total Non-Current Liabilities		382,287	370,381
Total Liabilities		740,244	887,758
Net Assets		5,043,500	6,525,844
Equity			
Contributed equity	5	42,045,942	42,045,942
Reserves	6	5,201,108	4,836,288
Accumulated losses		(42,203,550)	(40,356,386)
Total Equity		5,043,500	6,525,844

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 13 to 20.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Contributed Equity	Share Option Reserve	Option Premium Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 01.07.2016	42,045,942	1,748,209	676,800	2,411,279	(40,356,386)	6,525,844
Profit for the half year	-	-	-	-	(1,847,164)	(1,847,164)
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	96,692	-	96,692
Total comprehensive income for the half year	-	-	-	96,692	(1,847,164)	(1,750,472)
Transactions with owners in their capacity as owners:						
Shares Issued	-	-	-	-	-	-
Share Options	-	268,128	-	-	-	268,128
Balance at 31.12.16	**42,045,942**	**2,016,337**	**676,800**	**2,507,971**	**(42,203,550)**	**5,043,500**
Balance at 01.07.2015[1]	42,045,942	1,723,707	676,800	2,065,773	(39,795,878)	6,716,344
Loss for the half year	-	-	-	-	107,624	107,624
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	307,369	-	307,369
Total comprehensive income for the half year	-	-	-	307,369	107,624	414,993
Transactions with owners in their capacity as owners:						
Shares Issued	-	-	-	-	-	-
Share Options	-	16,461	-	-	-	16,461
Balance at 31.12.15	**42,045,942**	**1,740,168**	**676,800**	**2,373,142**	**(39,688,254)**	**7,147,798**

[1]Balance at 30 June 2015 and 31 December 2015 restated as a result of change in accounting policy disclosed in Note 10

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the Consolidated Financial Statements set out in pages 13 to 20.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	31 December 2016 $	Restated [1] 31 December 2015 $
Cash Flows From Operating Activities		
Proceeds from sales	1,437,377	2,893,052
Payments to suppliers and employees	(711,891)	(309,669)
Production costs	(699,970)	(1,050,415)
Insurance payment received	28,224	967,222
Interest received	37,469	
Payments for exploration and evaluation	(1,251,936)	(718,758)
Net cash inflow/(outflow) from operating activities	(1,160,727)	1,781,432
Cash Flows From Investing Activities		
Payments for development of oil & gas properties	(128,551)	(293,441)
Net cash outflow from investing activities	(128,551)	(293,441)
Cash Flows from financing activities		
Proceeds from loans	180,385	-
Net cash inflow/(outflow) from financing activities	180,385	-
Net increase in cash held	1,108,893	1,487,991
Cash and cash equivalents held at beginning of financial period	3,108,828	969,526
Effect of exchange rate changes on cash and cash equivalents	7,384	15,761
Cash and cash equivalents at end of the half year	2,007,319	2,473,278

[1] *Refer to Note 10 for details regarding the restatement as a result of a change in accounting policy*

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Consolidated Financial Statements set out on pages 13 to 20.

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

(a) Reporting entity

Grand Gulf Energy Limited (the "Company") is a Company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half year ended 31 December 2016 comprise the Company and its controlled entities (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 30 June 2016 are available upon request from the Company's registered office at Level 7, 1008 Hay St, Perth WA, 6000 or at www.grandgulfenergy.com

(b) Statement of Compliance

These consolidated interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2016.

These consolidated interim financial statements were approved by the Board of Directors 14 March 2017.

(c) Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's 2016 annual financial report for the financial year ended 30 June 2016. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(d) New accounting standards and interpretations

In the half-year ended 31 December 2016, the Group has reviewed all of the new and revised Standards - and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2016.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

There were no new standards issued since 30 June 2016 that have been applied by the Group. The 30 June 2016 annual report disclosed that the Group anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2016.

2. SEGMENT REPORTING

Management has determined, based on reports reviewed by the Board of Directors that are used to make strategic decisions, that the Group has one reportable segment being oil and gas production and exploration.

The Board of Directors review internal management reports on a regular basis which reflect the information provided in the half year financial statements.

3. FAIR VALUES OF FINANCIAL INSTRUMENTS

Recurring fair value measurements

All assets and liabilities for which fair value is measured or disclosed are categorised according to the fair value hierarchy as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

At 31 December 2016	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Put options – oil	49,154	-	-	49,154

At 30 June 2016	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Put options – oil	142,790	-	-	142,790

There were no transfers between levels of the fair value hierarchy during the period.

Fair values of financial instruments not measured at fair value
The Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value.

4. OTHER INCOME

	31 December 2016 **$**	**31 December 2015** **$**
Put Options	-	756,299
Other income	305	113,449
Total other income	305	869,748

5. CONTRIBUTED EQUITY

	31 December 2016 No.	30 June 2016 No.	31 December 2016 $	30 June 2016 $
Balance brought forward at the beginning of the period	747,998,870	747,998,870	42,045,942	42,045,942
Balance carried forward at the end of the period	**747,998,870**	**747,998,870**	**42,045,942**	**42,045,942**

6. RESERVES

	31 December 2016 $	30 June 2016 $
Foreign currency translation (a)	2,507,971	2,411,279
Share option reserve (b)	2,016,337	1,748,209
Option premium reserve (c)	676,800	676,800
	5,201,108	4,836,288

(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.

	31 December 2016 $	30 June 2016 $
Balance at beginning of period	2,411,279	2,065,773
Gain / (loss) on translation of foreign controlled entities	96,692	345,506
Balance at end of period	2,507,971	2,411,279

(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.

	31 December 2016 $	30 June 2016 $
Balance at beginning of period	1,748,209	1,723,707
Share based payment expense	268,128	24,502
Balance at end of period	2,016,337	1,748,209

(c) Option premium reserve

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

	31 December 2016 $	30 June 2016 $
Balance at beginning of period	676,800	676,800
Balance at end of period	676,800	676,800

7. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	31 December 2016 $	30 June 2016 $
Current		
Trade and other receivables (i)	490,956	548,951
Insurance claim receivables	5,450	29,364
	496,406	578,315
Other Assets		
Prepayments (ii)	37,964	14,335
Put options	49,154	142,790
	87,118	157,125

(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 $37,964 made to the Abita and West Klondike.

8. OIL AND GAS PROPERTIES

	31 December 2016 $	30 June 2016 $
Producing oil & gas assets	8,022,711	7,799,099
Provision for impairment and amortisation	(4,837,930)	(4,240,450)
	3,184,781	3,558,649
Capitalised oil and gas properties		
Carrying amount at beginning of period	3,558,649	4,263,353
Expenditure during the period	128,551	253,663
Foreign exchange difference	95,061	141,501
Amortisation	(315,340)	(517,576)
Impairment of capitalised expenditure	(282,140)	(582,292)
Carrying amount at end of period	3,184,781	3,558,649

9. DIRECTORS LOAN

	31 December 2016 $	30 June 2016 $
Current		
Directors Loan (i)	180,385	-
	180,385	-

Charlie Morgan provided an unsecured, interest free and repayable on demand loan to Grand Gulf Energy Limited, totalling $180,385. The loan has been repaid in full during January 2017.

10. EXPLORATION AND EVALUATION

The financial report has been prepared on the basis of retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure in accordance with standard AASB 6: Exploration for and Evaluation of Mineral Resources.

Previously, the Group capitalised, accumulated exploration and evaluation expenditure and carried forward to the extent that they were expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

The result of this accounting change means that the Group will expense exploration and evaluation expenditure as incurred in respect of each identifiable area of interest until a time where an asset is in development.

The Board have determined that the change in accounting policy will result in more relevant and no less reliable information as the policy is more transparent and less subjective. Recognition criteria of exploration and evaluation assets are inherently uncertain and expensing as incurred results in a more transparent Consolidated Statement of Financial Position and Consolidated Statement of Profit or Loss and Other Comprehensive Income. Furthermore, the change in policy aids in accountability of line management's expenditures and the newly adopted policy is consistent with industry practice.

The voluntary change in the accounting policy has resulted in a change in presentation of the consolidated statement of cash flows with exploration and evaluation expenditure being reclassified from investing to operating activities.

The following table summarises the adjustments made to the Consolidated Statement of Profit or Loss and Other Comprehensive Income and to the Consolidated Statement of Financial Position on 31 December 2015.

	Exploration expenditure $	Foreign Exchange Reserve $	Accumulated Loss $
Balances at 31 December 2015, as previously reported	14,918,973	5,266,029	(26,931,107)
Impact of the change on accounting policy at 1 Jul 2014	(10,141,894)	278,990	(10,420,884)
Impact of the change on accounting policy to June 2015	(3,409,571)	(2,485,168)	(1,599,000)
Impact of the change on accounting policy to Dec 2015	(1,367,508)	(686,709)	(737,263)
Restated balances at 31 December 2015	**-**	**2,373,142**	**(39,688,254)**

The effects on the Consolidated Statement of Profit or Loss and Other Comprehensive Income were as follows:

	For the period ended 31 Dec 2015 $
Decrease in profit for the period	(737,263)

The table below summarises the impact on the earnings per share for the comparative period:

Loss per share	
Previously reported – basic earnings per share	(0.113)
Previously reported – diluted earnings per share	(0.113)
Restated – basic and diluted loss per share	(0.014)

	June 2016 $	Dec 2015 $
Balance at beginning of year	(39,795,878)	(39,795,878)
Net profit/(loss) attributable to members of the Company	(560,508)	107,624
Balance at end of year	(40,356,386)	(39,688,254)

11. CONTINGENT LIABILITIES

NAPOLEONVILLE WELL CONTROL AND CONTINGENCIES

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. All Legal lawsuits have been completed and paid for.

The JV partners continue to remain obligated to complete the remaining remediation of the land affected by the blowout. Moving forward the Company will be liable for the remaining remediation on location. As most of the location has been remediated and handed back to the farmer the Company believes that the remaining remediation will be no more than US$250,000 in respect of the existing 40.5% WI the Company held prior to the acquisition of the additional 15.3% from Mustang Resources Limited. The Company confirms that the blowout insurances from Mustang are substantial and adequate to cover the cost of additional 15.3% WI of likely remaining remediation costs.

PLEASANT HOME FIELD

Contingent upon 60 days of commercial production from the re-completion of the 31-11 the Company will issue 19,500,000 ordinary fully paid shares to the Operator.

12. EVENTS SUBSEQUENT TO REPORTING DATE

BOLESLAW PROJECT 20.4% WI – POLAND

The Well spudded on 10 December 2016 and reached a total depth ('TD') of 1550 meters on 10th January 2017. The well intersected the designated objectives, however no commercial recoverable hydrocarbons were indicated and the well has been plugged and abandoned.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

13. DIVIDENDS

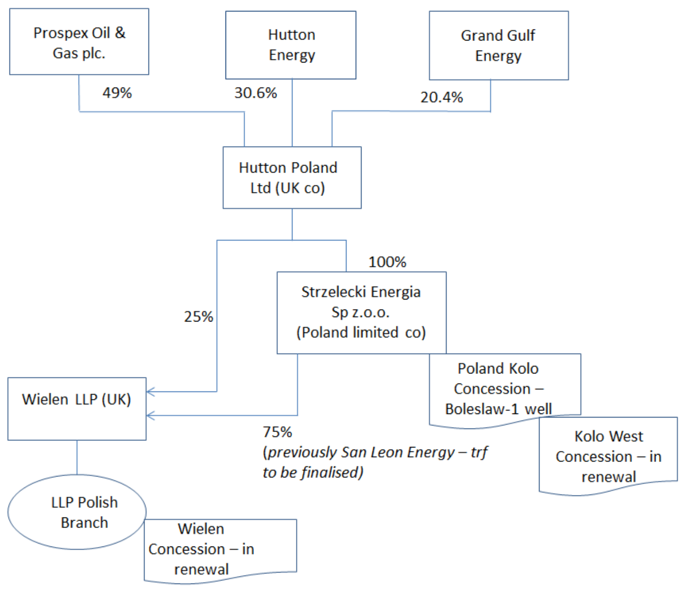
No dividends have been paid or proposed during the financial period.

14. RELATED PARTIES

Charlie Morgan provided an unsecured, interest free and repayable on demand loan to Grand Gulf Energy Limited, totalling $180,385 at balance date. The loan was repaid in full during January 2017.

The Company acquired a 20.4% interest in Hutton Poland from Hutton Energy Ltd in November 2016. Charles Morgan, Chairman of Grand Gulf Energy, is a director and shareholder of Hutton Energy Ltd, Stephen Keenihan, a director in Grand Gulf Energy, is a minority shareholder in Hutton Energy Ltd and Craig Burton, a major shareholder in Grand Gulf Energy, is a shareholder in Hutton Energy Ltd. The independent directors of Grand Gulf, Mark Freeman and Allan Boss assessed the acquisition of the 20.4% interest in Hutton Poland Ltd independently to be at arms-length. In addition the acquisition fell below the level of materiality as set out in ASX Listing Rule 10.1.

As a result of the petroleum licence laws in Poland, which do not allow more than one holder of the licence, the Kolo Licence is held by Strzelecki Sp. z.o.o. (Strzelecki) a 100% owned subsidiary of Hutton Poland (UK) Ltd. GGE as part of the acquisition has acquired a 20.4% equity interest in Hutton Poland (UK) Ltd. The other shareholders include Hutton Energy Ltd (30.6%) and Prospex Oil and Gas plc (49%).



During the half-year ended 31 December 2016, 65,000,000 incentive options were granted to directors and consultants (refer note 15).

15. SHARE BASED PAYMENTS

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 2016. During the half-year ended 31 December 2016, 65,000,000 incentive options were granted to directors and consultants and approved by shareholders at the AGM on 30 November 2016. 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 30 November 2016 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 half-year ended 31 December 2015 are as follows:

	Number	Vesting Conditions	Exercise Price	Expiry Date
Share Options (iii)				
Executive Directors (i)	45,000,000	(ii)	$0.008	30-June-20
Non-Executive Directors(i)	10,000,000	(ii)	$0.008	30-June-20
Consultants (iv)	10,000,000	(ii)	$0.008	30-June-20

(i) 20,000,000 options were issued to Mark Freeman, 10,000,000 were issued to Allan Boss, 15,000,000 options were issued to Charlie Morgan, and 10,000,000 options were issued to Stephen Keenihan;

(ii) the options will vest immediately;

(iii) Option grant date was 30 November 2016 and issue date was 7 December 2016; and

(iv) Options issued to Consultants have been measured at their fair value as the value of services received was not able to be reliably measured. These options have vested immediately.

Fair value of options granted are as follows:

	Directors	Consultants
Fair Value of Security at measurement date	$0.006	$0.006
Share Price at Grant Date	$0.007	$0.007
Exercise Price	$0.008	$0.008
Expected Volatility	100%	100%
Option Life	3.68 years	3.68 years
Expected Dividends	Nil	Nil
Risk Free interest rate	1.68%	1.68%

16. COMMITMENTS

There have been no changes to the commitments, from those disclosed in the 30 June 2016 financial statements.

DIRECTORS' DECLARATION

The directors of the consolidated entity declare that:

1. The financial statements and notes, as set out on pages 9 to 20 are in accordance with the Corporations Act 2001:

    a. give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

    b. comply with Accounting Standard *AASB 134 Interim Financial Reporting*, *Corporations Regulations 2001 and* other mandatory professional reporting requirements

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.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

Mark Freeman
Managing Director

Perth, 14 March 2017

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Grand Gulf Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Grand Gulf Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2016, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Grand Gulf Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Grand Gulf Energy Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

Jarrad Prue

Director

Perth, 14 March 2017