GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

INTERIM REPORT

FOR THE HALF YEAR ENDED

31 December 2014

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONTENTS

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2014.

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 – 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 2014 was 33,045 bbls of oil and 45,238 Mcf of gas with gross revenue of $3,752,723.

After royalties and production costs the Company delivered a gross profit before amortisation of $2,249,947.

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:

	2014	2015
Oil (bbls)	30,984	33,045
Gas (mcf)	51,444	45,238
% Oil Equ.	94%	95%

FINANCIAL REVENUE UPDATE

As a result of the reduction of the price of oil the Company advises that its current net revenue after production royalties and operating costs is estimated at US$245,000 per month (US$3 Million per annum). The Company already has very tight budget controls in place and low overheads, but notwithstanding this, will take further steps to reduce costs as required.

Grand Gulf is proud to have increased its production markedly over the last 4 years and to have achieved this without any capital raisings.

The Company is well placed with sufficient capital and surplus revenue to look to capitalize on low oil prices with the acquisition of production and reserves.

PRODUCTION AND DEVELOPMENT

On 2 December 2014 the Company entered into an agreement to acquire 3.99% WI in Desiree and 15.3%WI in Dugas & Leblanc #3 for US$575,000. This acquisition increases the Company's interest in Desiree to 39.6% and D&L (#3) to 56.8%. The acquisition is effective 1 November 2014. The vendor is awaiting relisting before completing the sale.

Desiree Field, Non Operator 39.6%
Napoleonville Salt Dome, Assumption Parish, Louisiana

The Hensarling #1 well (Desiree Field) was placed on production on 3 July 2013 and has produced over 200,000 barrels of oil. The well was placed on Jet Pump in late September 2013 and is presently producing at around 420 bbls oil per day. The operator anticipates the well will sustain production rates of around 420 BOPD.

Production is sourced from the Cris R III (49ft pay) formation and at the presently depressed oil price of $55/bbl will generate revenues of US$175,000 per month (after royalties and operating costs), or US$2.1 million per annum.

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. 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 Company has successfully brought the matter out of the courts at this time and into arbitration which is currently set to commence on 9 March 2015 in Houston, Texas.

Dugas & Leblanc #3 Non Operator 56.8% 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 well is presently producing 80 bod, 80 mcfd and 490 barrels of water per day from a 21/64 inch choke.

The JV recently converted the D&L #2 well into a salt water disposal well and is pleased to confirm that the well is now disposing of water through D&L#2.

Production is sourced from the Big Hum "M" sand and at the presently depressed oil price of $55/bbl will generate revenues of US$50,000 – per month (after royalties and operative costs), or US$600,000 pa.

Dugas & Leblanc #1 Litigation Resolved

The Company resolved all remaining litigations during the quarter. A commercial settlement was reached between the personal injuries plaintiffs affected by the D&L #1 blowout and the JV partners which is expected to be 100% covered by insurance.

The JV partners continue to remain obligated to complete the remaining remediation of the land affected by the blowout. The Company is now expecting a final insurance payment of US$718,723. 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 Resources Limited is substantial and adequate to cover the future remediation costs associated with the Mustang Resources Limited acquisition of interests.

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

The Abita field is being operated by Clayton Williams Energy Inc. The well commenced producing on 18 March 2012.

The well is presently producing at 300 mcfd, 3 bopd and 160 bswd through an 8/64 inch choke from the upper 18 sands.

Following economic depletion of the 18 sand, the JV will commence production from the 17 sand.

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

The well commenced production on 4 September 2014 and is presently producing at 1.4 mmcfd and 15 bcpd through a 7/64 inch choke from the lower nod blan.

At 31 December 2014 the net P1 and P2 reserves to the Company were estimated to be 12,000 bbls and 26,000 mcf of gas and the contingent resources were 18,000-55,000 bbls of oil and 0.425-1.3 BCF of gas.

2015 Reserves and Resources Summary

Reserves and Resources as at 31 December 2014

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	55.80%	25	354	84	25	354	84
Desiree	39.45%	318		318	388	-	388
West Klondike	11.70%	0	26	5	12	26	37
Abita	20%	8	404	75	8	404	75
Total Reserves		**352**	**784**	**482**	**433**	**784**	**585**
Contingent Resources		**High Estimate 1C**			**Mid to Low Estimate 2C**		
Reserves							
USA							
Dugas & Leblanc #3	55.80%		837			279	47
Desiree	39.45%						
West Klondike	11.70%	55	1,351	280	18	450	93
Abita	20%						
Total Contingent Resources		**55**	**2,188**	**280**	**18**	**729**	**140**
Total Reserves and Resources		**407**	**2,972**	**762**	**451**	**1,514**	**725**

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

Competent Persons Statement

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).

EXPLORATION

Louise Prospect, Non Operator 22.57%
Templet #1 well, Louise Prospect, Assumption Parish, Louisiana

The Templet #1 well was drilled, unfortunately the logs indicated the well was uneconomic. The well has been placed into suspension to be used as a water disposal well for Hensarling #1 when it commences to produce water.

Napoleonville Salt Dome, Assumption Parish, Louisiana,

Over the last six 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 Discoveries in Vermilion Parish, Louisiana).

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 operated by a large US GOM Oil and Gas Company. This initial test well will be drilled to a total depth of 27,900ft.

Yellowfin follows Freeport McMoran's "Highlander" Jeanerette #1 Discovery to establish sand, pay and significant column height and multi-TCF potential in the new trend. Freeport McMoran's reported potential of the discovery is 3. TCF with 60,000+ acres under lease and two additional wells permitted in the area. Yellowfin is a significantly large, similar sized feature situated on the adjacent structure to the Discovery. The Freeport McMoran well was recently tested with expanded facilities at 75 mmcfd and nearing finalized facilities prior to sales.

The Discovery and Prospect area characterized by and analogous to the sub-salt, compressional structural style and sand depositional setting is comparative to the ultra-deep offshore deep water sub-salt play and discoveries being developed by major oil companies.

Most likely resource potential of the Yellowfin Prospect assuming an average of 2,000ft relief over 5,200 acres is estimated to be 1.4 TCF (upside potential of 2 TCF). Land surface location offers significant cost reduction and surface infrastructure to facilitate bringing the project to market. With success, the project offers long life reserves, high rate deliverability and significant oil and natural gas liquid potential to provide substantial impact on the company.

The Company has worked diligently to put this project together and is extremely encouraged by the play and the market's level of interest.

AGM RESULTS

The Company confirms that all resolutions put to shareholders at the Annual General Meeting held on 28 November 2014, were carried unanimously on a show of hands.

Events occurring after the reporting period

The Company sells its oil each month based on a formula which is linked to the monthly average NYMEX WTI Price. To mitigate downside price risk, in January, the Company has purchased a series of NYMEX WTI put options for 2,400 barrels per month (~52% of average monthly production at a strike price of $49.20/bbl) over the period January to June 2015. In addition the Company secured in March a series of NYMEX WTT put options for 3600 barrels per month (~78% of average monthly production at a strike price of $50/bbl) over the period July to December 2015. In exchange for an upfront premium, the options produce a favourable cash flow if prices move below a specific level to cover the fall in the index price. If prices move higher, the Company does not incur any hedge position losses, and will therefore participate in higher priced sales should this occur through a higher index price. The option for January expired, with a payment to the company of US$4,500. The Company will continue to monitor the NYMEX WTI price with a view to adding further protection using similar products as appropriate. Total premiums paid for this protection was ~US$155,000.

On 2 December 2014 the Company entered into an agreement to acquire 3.99% WI in Desiree and 15.3%WI in Dugas & Leblanc #3 for US$575,000. This acquisition increases the Company's interest in Desiree to 39.6% and D&L (#3) to 56.8%. The acquisition is effective 1 November 2014. The vendor is awaiting relisting before completing sale.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 of the financial statements for the half year ended 31 December 2014.

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

Dated this

Mark Freeman
Executive Director

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH 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 2014, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- 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.

Phillip Murdoch
Partner

BDO Audit (WA) Pty Ltd

Perth, 10 March 2015

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 2014

	Note	31 December 2014 $	31 December 2013 $
Revenue		3,752,723	3,826,762
Cost of sales		(1,502,776)	(1,496,257)
Amortisation of oil and gas properties	6b	(568,833)	(797,114)
Gross profit		1,681,114	1,533,391
Other Income		4,583	306
Interest income		71	20
Employee benefits expense		(292,520)	(347,799)
Professional and statutory fees		(98,996)	(82,933)
Corporate office expenses		(54,918)	(57,465)
Impairment of capitalised oil and gas expenditure	6a 6b	(1,476,013)	(98,450)
Foreign exchange gain		6,620	26,479
Other expenses from ordinary activities		(30,776)	(15,391)
Depreciation		(485)	(239)
Profit/(Loss) before income tax		(261,322)	957,918
Income tax benefit/(expense)		-	-
Profit/(Loss) for the half year		(261,322)	957,918
Other Comprehensive Income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign entities		2,587,581	537,257
Total comprehensive profit for the half year		2,326,260	1,495,175
		Cents	**Cents**
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share		(0.035)	0.128

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 to18.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	31 December 2014 $	30 June 2014 $
ASSETS			
Current Assets			
Cash and cash equivalents		2,187,870	1,840,990
Trade and other receivables		882,640	1,423,152
Insurance claim receivables		880,268	84,550
Prepayments		-	111,819
Total Current Assets		3,950,778	3,460,511
Non-Current Assets			
Computer equipment		12,411	9,081
Exploration expenditure	6a	11,302,224	10,141,894
Oil & gas properties	6b	5,388,124	4,264,994
Total Non-Current Assets		16,702,759	14,415,969
Total Assets		20,653,537	17,876,480
LIABILITIES			
Current Liabilities			
Trade and other payables		558,953	174,873
Total Current Liabilities		558,953	174,873
Non-Current Liabilities			
Provisions		283,094	216,377
Total Non-Current Liabilities		283,094	216,377
Total Liabilities		842,047	391,249
Net Assets		19,811,490	17,485,230
Equity			
Contributed equity	4	42,045,942	42,045,942
Reserves	5	5,256,557	2,668,976
Accumulated losses		(27,491,009)	(27,229,688)
Total Equity		19,811,490	17,485,230

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 18.

GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Contributed Equity	Share Option Reserve	Option Premium Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 01.07.2014	42,045,942	1,688,747	676,800	303,429	(27,229,688)	17,485,230
Loss for the half year	-	-	-	-	(261,321)	(261,321)
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	2,587,581	-	2,587,581
Total comprehensive income for the half year	-	-	-	2,587,581	(261,321)	2,326,260
Transactions with owners in their capacity as owners:						
Shares Issued	-	-	-	-	-	-
Share Options	-	-	-	-	-	-
Balance at 31.12.14	**42,045,942**	**1,688,747**	**676,800**	**2,891,010**	**(27,491,009)**	**19,811,490**
Balance at 01.07.2013	42,046,976	1,634,975	676,800	870,773	(28,630,154)	16,599,370
Profit for the half year	-	-	-	-	957,918	957,918
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	537,527	-	537,257
Total comprehensive income for the half year	-	-	-	537,257	957,918	1,495,175
Transactions with owners in their capacity as owners:						
Shares Issued	-	-	-	-	-	-
Share Options	-	-	53,772	-	-	53,772
Balance at 31.12.13	**42,046,976**	**1,634,975**	**730,572**	**1,408,030**	**(27,672,236)**	**18,148,317**

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 18.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	31 December 2014 $	31 December 2013 $
Cash Flows From Operating Activities		
Proceeds from sales	3,876,803	2,916,329
Payments to suppliers and employees	(390,949)	(445,965)
Production costs	(1,551,325)	(911,008)
Interest received	61	20
Net cash inflow from operating activities	1,934,590	1,599,376
Cash Flows From Investing Activities		
Payments for exploration and development	(1,495,430)	(778,579)
Payments for development	(393,006)	(576,988)
Net cash outflow from investing activities	(1,888,436)	(1,355,567)
Cash Flows from financing activities		
Share issue costs	(1,034)	-
Net cash inflow/(outflow) from financing activities	(1,034)	-
Net increase in cash held	45,120	203,809
Cash and cash equivalents held at beginning of financial period	1,809,943	1,005,646
Effect of exchange rate changes on cash and cash equivalents	332,807	48,280
Cash and cash equivalents at end of the half year	2,187,870	1,257,735

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 18.

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 2014 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 2014 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 2014.

These consolidated interim financial statements were approved by the Board of Directors on 10 March 2015.

(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 2014 annual financial report for the financial year ended 30 June 2014. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New accounting standards and interpretations

In the half-year ended 31 December 2014, 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 2014.

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 2014. 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 2014 that have been applied by the Group. The 30 June 2014 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 2014.

(d) Impairment of exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the assets carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts. The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements; and
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

(e) 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.

(f) Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgment made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2014.

(g) Operating Segments

From 1 July 2010, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors.

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.

(h) Non–operator interest in Oil & Gas Properties

i) 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 provision for restoration.

ii) Amortisation and depreciation of producing projects
The Consolidated Entity uses the "units of production" ("UOP") approach when amortising field-specific assets. Using this method of amortisation requires the Consolidated Entity to compare the actual volume of production to the reserves and then apply the rate of depletion to the carrying value of the asset.

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

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 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
The Group does not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

Fair values of financial instruments not measured at fair value
The company does not have any financial instruments that are not measured at fair value.

4. CONTRIBUTED EQUITY

	31 December 2014 No.	30 June 2014 No.	31 December 2014 $	30 June 2014 $
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**

5. RESERVES

Option Premium Reserve

As at 31 December 2014 the Company has on issue 27,000,000 (30 June 2014: Nil) unlisted options over unissued ordinary shares, and nil listed options (30 June 2014: Nil).

Share Option Reserve

During the period an amount of nil (30 June 2014: $53,772) was recognised as an expense and corresponding movement in equity in respect of the fair value of options issued as equity based compensation. "Refer to note 11 'Share Based Payments' for further details."

6a. OIL AND GAS EXPLORATION EXPENDITURES

	31 December 2014 $	30 June 2014 $
Capitalised oil and gas expenditure	27,789,042	26,368,582
Provision for impairment	(16,486,819)	(16,226,688)
Capitalised oil and gas expenditure	11,302,223	10,141,894
Capitalised oil and gas expenditure		
Carrying amount at beginning of period	10,141,894	10,176,369
Expenditure during the period	1,877,571	1,488,852
Foreign exchange difference	1,580,544	(324,480)
Transfer to Oil and Gas Properties	(2,037,656)	-
Impairment of capitalised expenditure	(260,130)	(1,198,847)
Carrying amount at end of period	11,302,223	10,141,894

During the period, expenditure on exploration was $1,877,571.

During the period the Company incurred US$524,603 in respect of the Templet #1 well. The well was a dry well, however the well bore will be utilised to dispose of salt water once the Hensarling #1 well commences producing water. This cost has been moved to oil and gas properties and will be amortised over the life of the Desiree project reserves.

6b. OIL & GAS PROPERTIES

Development oil & gas assets	8,733,000	7,041,037
Accumulated Amortisation	(3,344,876)	(2,776,043)
Capitalised oil and gas expenditure	5,388,124	4,264,994
Capitalised oil and gas properties		
Carrying amount at beginning of period	4,264,994	5,162,200
Expenditure during the period	183,653	407,456
Purchases	-	-
Transfer of Exploration Costs	2,037,656	-
Foreign exchange difference	818,907	(139,519)
Amortisation	(568,833)	(1,165,143)
Impairment of capitalised expenditure	(1,348,253)	-
Carrying amount at end of period	5,388,124	4,264,994

During the period, expenditure on development was $183,653.

As a result of the significant reduction in the Oil price to US$55 per barrel the Company was required to writedown its historical costs in Abita and West Klondike by $US446,877 and US$652,840 respectively to their recoverable amount.

7. 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.

Since 12 August 2010, the Company has 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.

The Company confirms the Operator's insurance has paid out a total of USD$11,000,000, whilst the Company's insurance has paid out ~USD$5,286,000.

The Company in December announced that it had resolved all remaining litigations during the quarter with a commercial settlement having been reached between the personal injuries plaintiffs affected by the D&L #1 blowout and the JV partners which is expected to be 100% covered by insurance.

The JV partners continue to remain obligated to complete the remaining remediation of the land affected by the blowout. The Company is now expecting a final insurance payment of US$718,723. 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.

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 Company has successfully brought the matter out of the courts at this time and into arbitration which is currently set to commence on 9 March 2015 in Houston, Texas. A liability in relation to the matter has not been recognised at period end 31 December 2014, as the nature and extent of remedial action cannot be reliably measured.

8. EVENTS SUBSEQUENT TO REPORTING DATE

The Company sells its oil each month based on a formula which is linked to the monthly average NYMEX WTI Price. To mitigate downside price risk, in January, the Company has purchased a series of NYMEX WTI put options for 2,400 barrels per month (~52% of average monthly production at a strike price of $49.20/bbl) over the period January to June 2015. In addition the Company secured in March a series of NYMEX WTT put options for 3600 barrels per month (~78% of average monthly production at a strike price of $50/bbl) over the period July to December 2015. In exchange for an upfront premium, the options produce a favourable cash flow if prices move below a specific level to cover the fall in the index price. If prices move higher, the company does not incur any hedge position losses, and will therefore participate in higher priced sales should this occur through a higher index price. The option for January expired, with a payment to the company of US$4,500. The company will continue to monitor the NYMEX WTI price with a view to adding further protection using similar products as appropriate. Total premiums paid for this protection was ~US$155,000.

On 2 December 2014 the Company entered into an agreement to acquire 3.99% WI in Desiree and 15.3%WI in Dugas & Leblanc #3 for US$575,000. This acquisition increases the Company's interest in Desiree to 39.6% and D&L (#3) to 56.8%. The acquisition is effective 1 November 2014. The vendor is awaiting relisting before completing the sale.

9. DIVIDENDS

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

10. RELATED PARTY

There have been no changes to related parties or to related party transactions from those disclosed in the 30 June 2014 financial statements, other than the issue of director options as approved by shareholders and disclosed in the Share Based Payments Note 11.

11. 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 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 half-year ended 31 December 2014 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 1 December 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%

12. COMMITMENTS

There have been no changes to the commitments from those disclosed in the 30 June 2014 financial statements.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

DIRECTORS' DECLARATION

The directors of the consolidated entity declare that:

1. The financial statements and notes, as set out on pages 9 to 18 are in accordance with the Corporations Act 2001:

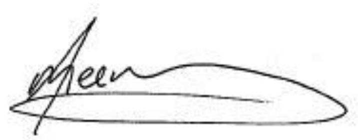
    a. give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

    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
Executive Director

Perth, 10 March 2015

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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 2014, 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 2014 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 2014 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

BDO

Phillip Murdoch

Partner

Perth, 10 March 2015