GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

INTERIM REPORT

FOR THE HALF YEAR ENDED

31 December 2011

CONTENTS

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

DIRECTORS'REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2011.

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 - Executive Director & Company Secretary
Mr James Trimble – Non-Executive Director (resigned 30 November 2011)
Mr Stephen Keenihan – Non-Executive Director
Mr Allan Boss – Non-Executive Director

PRINICIPAL ACTIVITY

The principal activity of the consolidated entity during the period was exploration and evaluation of mineral interests and oil and gas leases.

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

RESULTS AND REVIEW OF OPERATIONS

The Profit of the consolidated entity for the financial period after provision for income tax was $4,256,668 (2010: loss of $5,610,950).

Cash assets at 31 December 2011 of $5,953,670 increased from $501,647 as at 30 June 2011, after operations.

Deferred exploration assets as at 31 December 2011 of $9,871,523 (30 June 2011: $11,638,652). Oil and Gas Properties as at 31 December 2011 of $2,246,303 (30 June 2011: nil).

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

SALE OF LAPOSADA FOR US$7.5M

On 23 September 2011 the Company announced the sale of its 4.75%WI in La Posada for US$7.5m. This was a significant funding providing a material cash injection into the Company by monetising an untested development asset. The Company will continue to focus its activities on high quality exploration and development prospects.

DUGAS & LEBLANC #3 ON PRODUCTION IN "M" SAND
Napoleonville- Dugas & Leblanc #3 Well, Assumption Parish, Louisiana, Non Operator 39.5% WI

The D&L#3 "M" sand was successfully perforated and placed on production on 18 October 2011 with initial flow rates of 160 BOPD, 1,150 MCFD and 16 BSWPD from a 9/64 inch choke. Over the last month, production has been stable at approximately 300bopd with 880MCFD and 0 BSWPD through a 10/64 inch choke. While the well continues to produce at this rate, monthly revenue net to the Company is ~ US$250,000 after royalties and operating costs.

The Company has estimated the potential reserves in the M sand to be as follows:

	Oil (BBL)	Gas (MCF)
Projected Recoverable Reserve	400,000	1,200,000

Following further seismic and analogue interpretational work the M sand may have further updip potential of an additional 10-12 BCF of gas, which if confirmed will need to be recovered from either a development well or side track to the D&L#3.

Partners in the D&L#3 well are:

Company	WI
Grand Gulf Energy Ltd	40%
Golden Gate Petroleum Ltd	15%
Other Partners	45%

DIRECTORS' REPORT

VERMILLION RIVER PROSPECT DRILLING UPDATE

R. J. Perrin et al Well No. 1, Vermilion River, Vermilion Ph., LA, 7.83%WI, Non Operator

The Board advises that the R. J. Perrin et al Well No. 1 is presently curing the well at 14,616ft. The well has experienced drilling delays and is presently running ~$150,000 net to the Company over budget. Based on the current progress of the well the Primary objectives are likely to be drilled through within the next 35 days.

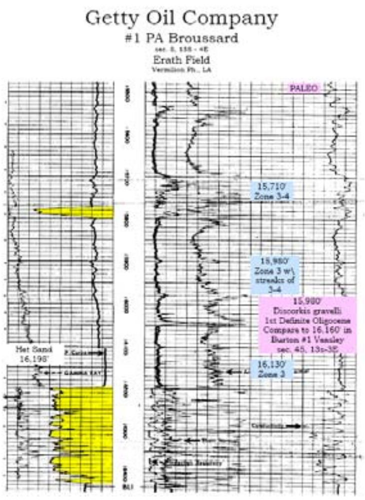
The Vermilion River Prospect covers an area of 2,925 acres in Vermilion Parish, Louisiana. This well is being drilled to a total depth of 17,500ft straight hole. The project has similar traits and risks, and is close to, the Company's recent discovery and success at La Posada (8 miles to the SE). Walter Oil and Gas was a partner in the La Posada discovery and is a highly successful and professional private oil and gas company based in Houston with onshore and offshore gulf coast assets.

The potential net reserves to Grand Gulf are 260,000-430,000 bbls of condensate and 8.5 to 14.5 BCF gas representing the largest prospect in the Company's exploration inventory.

The proposed well is designed to penetrate and test multiple U Oligocene Heterostegina. (Het) sand units in a three way dip closure. With 500ft of structural relief the Vermilion River structure is situated within a Het mini embayment bounded by a series of expansion faults north of the prospect. Het sands within the embayment have been proven to be high quality reservoir rock with thicknesses in excess of 200ft common.

The prospect lies between the Erath (1.2 TCFG + 42 MMBC) and Abbeville (255 BCFG + 17 MMBC) Fields. Both of these fields produce major reserves from shallower middle to lower Miocene age sands and demonstrate a charged hydrocarbon system. Grosse Isle is the nearest Het field within the embayment and is located 8 miles NNE of the prospect. Cumulative production from multiple Het sands is 70 BCFG + 4.2 MMBC. Het sands are a prolific productive target across SW Louisiana.

The initial well is targeting the most northerly of three prospective fault blocks with multiple objectives (Het 1A, 1, 2A and 2). The most likely resource potential of the initial fault block assumes 100ft of pay over 545 acres and is estimated to be 110 BCFG with 3.3 MMBC (upside potential of 185 BCFG and 5.5 MMBC). If successful, the project offers substantial cash flow, long life reserves which will have a substantial impact on the Company with additional reserve potential in the southerly fault blocks.



Analog field

Grosse Isle Field (1980)

- Analogous structure, timing, depth and deposition
- 98 BCGF & 9.6 MMBC (active)

Operational and Economic Upside

Production rates
Deliverability & analog sustained rates 30+ mmcf/d and 900+ bc/d
Condensate yield
Higher yields on trend (50+ bc/mmcfg)
Drilling control
Offset well (Getty Oil #1 PA Broussard) drilled to Het 1A and encountered +200ft sand

NAPOLEONVILLE FARMOUT COMPLETED

The Company recently completed a partial farm-out of parts of its interests at the Napoleonville Salt Dome to a private US onshore oil and gas company.

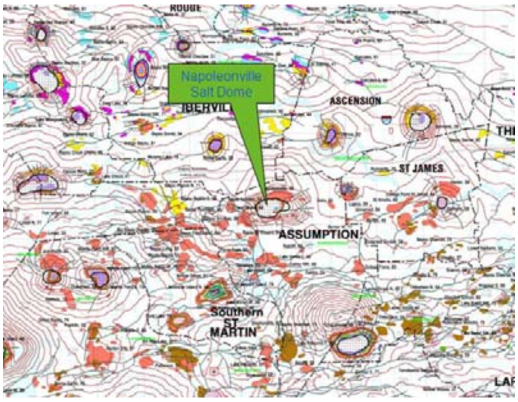
The terms of the farm-out are summarised below:

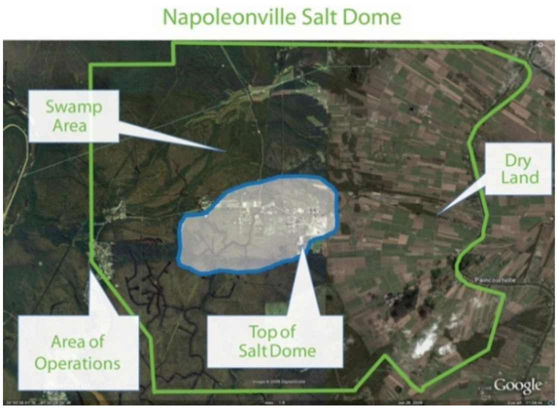
- Reprocessing and re-interpretation of the seismic (at no cost to the Company).
- Partner will have 6 months from receipt of seismic data and tapes to propose a deep well targeting the highly prospective Marg Vag/Cib Haz structures and will then have a further 3 months to propose a second Marg Vag/Cib Haz well with both wells drilled by 31 March 2013.

- The partner is earning 57% to 63% with all other partners farming out while Grand Gulf will retain between 17-19% working interest in the Project and will be required to pay between 11.5-13% towards costs associated with dry hole drilling costs of these prospects.
- The Desiree Prospect and the currently producing Dugas & Leblanc Field have been excluded from this farm-out.

This farm-out will provide Grand Gulf with a dedicated partner who has the significant and specific geological and geophysical expertise warranted for a project of this size and complexity. The Board is very pleased with the completion of this farm-out and looks forward to working with its new partner.

Financially the Company is likely to receive over US$1m in free carried expenditure towards drilling costs on the two wells and the interpretation and reprocessing costs.

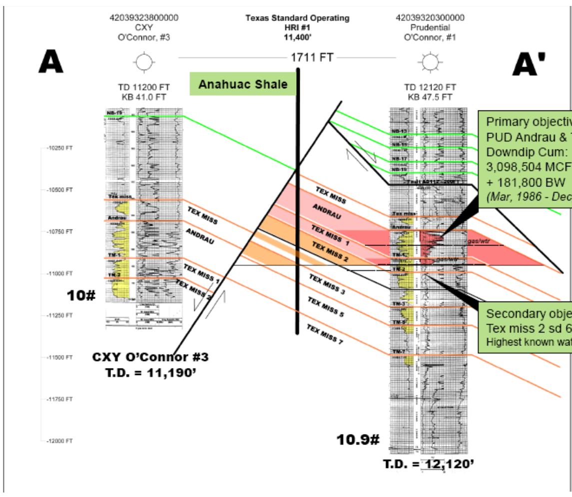




The Desiree Prospect has advanced significantly with all leases having been secured. The prospect has been excluded from the farm-out and is targeting an accumulation of oil in a well defined block updip from an interval that produced 2.3 million barrels equivalent. The prospect is likely to contain between 600,000 to 800,000 bbls of oil and represents a low risk drilling operation. The Company anticipates to spud the well in April 2012.

AUSTIN BAYOU

HRI Well No. 1, Austin Bayou, Brazoria County, TX, 23.25%WI, Non Operator



The Company announced its latest acquisition, Austin Bayou, an updip production project. The project is located in Brazoria County, Texas. The well is targeting two updip productive sands in the Andrau and Tex Miss 1 intervals, possible resources in the Tex Miss 2 and contingent resources in the Tex Miss 3, 5 and 7.

The Project was generated from re-processed data on proprietary seismic and is an up thrown 3-way trap with a strong seismic amplitude response tied to pay and conforming to structure. The sand deposition is uniform with the downdip well logging 100ft of pay over 320ft of sand.

The potential net reserves to Grand Gulf are 40,000-60,000 bbls of condensate and 2.7 to 4 BCF gas representing a low risk project will increase revenue net to GGE by US$70,000 to US$140,000 per month (after costs) depending on whether the well is duel completed or a single producer. Flow rates, if the well is successful, are estimated at 4-6 mmcf/d and 17 bc/mmcfg, and provide payback in 7 – 12 months.

The well will be drilled to a total depth of 11,400ft straight hole. The Company's share of well costs is estimated at US$385,000. In a success case, the Company's share of completion and facilities costs is estimated to be a further US$265,000. The well is due to spud early April 2012 and the operator is Texas Standard Oil Operating Company. Pipeline facilities run adjacent to the lease and the well is likely to be put on production within 3 months of completion.

DIRECTORS' REPORT

LEDUC REEF
Leduc Reef Prospect, Non Operator 14% WI

The Company acquired a 14% working interest in the Leduc Reef Prospect, operated by Weiser-Brown Operating in Lafayette County, Arkansas.

The prospect will be drilled to a total depth of 8,500ft. The most likely resource potential is 1.2 MMBL oil with upside potential of 12 MMBL oil in the event the field is proven up. The well is expected to take 21 days to drill. Production rates are estimated to be 100-300 bbls of oil per day. The well is planned to spud in May 2012.

Porosity development within the Smackover has been proven in the nearby Midway Field with over 60 MMBO cumulative production.

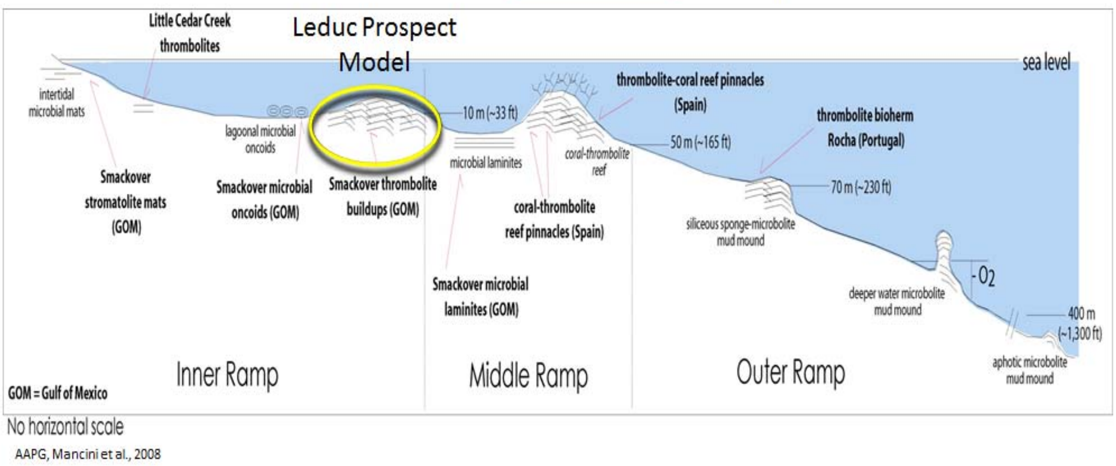
The prospect is a mounded feature defined by proprietary, 3D seismic and is interpreted to be a probable bio-carbonate mound. The prospect is situated on a basement hinge ridge, which is an ideal location for the formation of carbonate buildups. The age of the prospect is upper Middle Jurassic to lower Upper Jurassic. During this time the Gulf of Mexico was just beginning to open, creating lacustrine to shallow marine environments within the continent. Hydrocarbon sourcing is from the associated lacustrine facies lateral to the mounds and overlying thick salt accumulations provide an excellent top seal.

Secondary objectives are the Lower Smackover 'Brown Dense' micritic limestone. This limestone facies is well known to be the primary source rock for the entire basin. Porosity development within the Smackover has been proven in the nearby Midway Field with over 60 mmbo cumulative production.

This is a new field wildcat and play type for the area. Success will open up further opportunities available to Grand Gulf and under the agreement Grand Gulf has a right to participate pro-rata in any new prospects generated in a 3D AMI pertaining to this reef trend. Analogues for this prospect are the Appleton and Little Cedar Creek fields in Alabama. These fields produce out of Upper Jurassic thrombolite reefs located along the northern margin of the Gulf of Mexico.

The Company's share of the initial well costs is estimated at ~US$220,000 (includes entry costs). In a success case the Company's share of completion and facilities costs are a further US$50,000. The Company is paying 18.33% to earn a 14% working interest on the first well. The net revenue interest being delivered is 75%.

Distribution of Thrombolite Buildups



ABITA DEVELOPMENT UPDATE
Non Operator 20%WI (15% after payout) 350-700 BBLS / 8 BCFG

The operator has confirmed that first sales are expected to commence 15 March 2012 with the final tap into the gas sales line presently underway. Production rates will be monitored closely with the well having the potential to be dual completed.

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DIRECTORS' REPORT

LYONS POINT & GRIZZLY WELL RESULTS

The Company participated in the drilling of the Pruitt et al #1 (Lyons Point) and SL19965 (Grizzly) wells during the period. Unfortunately, although the wells intersected potential oil and gas bearing zones the electric logging confirmed that commercial recovery was unlikely and both wells were plugged and abandoned.

Fortunately the Company had reduced its drilling risk cost by accepting turnkey drilling contracts which limited gross drilling cost exposure to $425,000 and $495,000 respectively.

COMPETENT PERSONS STATEMENT: The information in this report has been reviewed and signed off by Mr KC Whittemore (Registered Geologist, Texas USA), and Kevin Kenning (Registered Reservoir Engineer) with over 36 and 30 years relevant experience respectively 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.

AGM RESULTS

The Company confirms that all resolutions put to shareholders at the Annual General Meeting held on 30 November 2011, were carried unanimously on a show of hands.

SUBSEQUENT EVENTS

Other than as set out below, there are not any matters or circumstances that have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Company which have not been disclosed in Company announcements.

1. The Company received a partial insurance payments of US$523,869 towards its outstanding insurance claim receivable in respect of the D&L blowout.

AUDITORS DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 of the financial statements for the half year ended 31 December 2011.

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

Dated this 13th March 2012

Mark Freeman
Executive Director

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

13 March 2012

To The Directors
Grand Gulf Energy Limited
Level 21 Allendale Square
77 St Georges Terrace
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF GRAND GULF ENERGY LIMITED

As lead auditor of Grand Gulf Energy Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- 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
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Note	Consolidated Entity	
		31 December 2011 $	31 December 2010 $
Revenue		972,306	30,073
Cost of sales		(311,913)	(57,923)
Gross profit		660,393	(27,850)
Gain on sale of assets	2	5,536,797	-
Other income		14,393	-
Interest income		4,587	1,457
Employee benefits expense		(357,755)	(298,231)
Professional and statutory fees		(99,859)	(48,777)
Corporate office expenses		(65,223)	(182,927)
Amortisation of oil and gas exploration expenditure		(111,509)	-
Impairment of capitalised oil and gas expenditure		(1,174,409)	(1,606,906)
Foreign exchange loss		(109,656)	(161,886)
Other expenses from ordinary activities		(20,849)	(77,558)
Borrowing Expenses		(18,440)	(536,999)
Depreciation		(511)	(723)
Profit / (Loss) before income tax		4,256,668	(2,939,677)
Income tax benefit/(expense)		-	-
Profit/(Loss) for the half year		4,256,668	(2,939,677)
Other comprehensive income			
Exchange differences on translation of foreign entities		(739,457)	(1,107,944)
Total comprehensive income for the half year		3,517,211	(4,047,621)
		Cents	Cents
Earnings per share			
Basic and diluted earnings/(loss) per share		0.10	(0.31)

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 14 to 17.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

	Note	Consolidated Entity	
		31 December 2011	30 June 2011
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents		5,953,670	501,647
Trade and other receivables		258,463	211,013
Insurance claim receivable	6	1,257,555	1,496,974
Other assets		400,205	158,441
Total Current Assets		7,869,893	2,368,075
Non-Current Assets			
Property, plant and equipment		1,726	1,999
Exploration expenditure	5a	9,871,523	11,638,652
Oil & Gas Properties	5b	2,246,303	-
Total Non-Current Assets		12,119,552	11,640,651
Total Assets		19,989,445	14,008,726
LIABILITIES			
Current Liabilities			
Trade and other payables		1,608,502	2,266,745
Borrowings	7	-	714,056
Total Current Liabilities		1,608,502	2,980,801
Non-Current Liabilities			
Provisions		26,035	96,305
Total Non-Current Liabilities		26,035	96,305
Total Liabilities		1,634,537	3,077,106
Net Assets		18,354,908	10,931,620
Equity			
Contributed Equity	3	42,050,628	39,678,355
Reserves	4	1,428,288	633,941
Accumulated losses		(25,124,008)	(29,380,676)
Total Equity		18,354,908	10,931,620

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 14 to 17.

GRAND GULF ENERGY LIMITED

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Contributed Equity	Share Option Reserve	Option Premium Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 01.07.2011	39,678,355	1,465,796	676,800	(1,508,655)	(29,380,676)	10,931,620
Profit for the half year	-	-	-	-	4,256,668	4,256,668
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	769,198	-	769,198
Total comprehensive income for the half year	-	-	-	769,198	4,256,668	5,025,866
Transactions with owners in their capacity as owners:						
Shares Issued	2,372,273	-	-	-	-	2,372,273
Share Options	-	25,149	-	-	-	25,149
Balance at 31.12.11	42,050,628	1,490,945	676,800	(739,457)	(25,124,008)	18,354,908
Balance at 1.7.2010	28,604,313	1,417,395	676,800	33,452	(23,769,726)	6,962,234
Loss for the half year	-	-	-	-	(2,939,677)	(2,939,677)
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	(1,107,944)	-	(1,107,944)
Total comprehensive income for the half year	--	-	-	(1,107,944)	(2,939,677)	(4,047,621)
Transactions with owners in their capacity as owners:						
Shares Issued	800,711	-	-	-	-	800,711
Share Options	-	28,417	-	-	-	28,417
Balance at 31.12.10	29,405,024	1,445,812	676,800	(1,074,492)	(26,709,403)	3,743,741

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out in pages 14 to 17.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2011

	Consolidated Entity	
	31 December 2011 $	31 December 2010 $
Cash Flows From Operating Activities		
Proceeds from sales	399,921	811
Payments to suppliers and employees	(446,984)	(179,097)
Interest received	4,577	189
Insurance payment/(refundable)	395,000	-
Interest and other costs of finance paid	(18,000)	(48,082)
Net cash inflow/(outflow) from operating activities	334,514	(226,179)
Cash Flows From Investing Activities		
Proceeds on disposal of non current assets	7,310,235	-
Payments for exploration and development	(3,830,701)	(5,066,983)
Security bond deposit	-	(25,778)
Net cash inflow/(outflow) from investing activities	3,479,534	(5,092,761)
Cash Flows From Financing Activities		
Proceeds from loans	1,050,000	4,219,727
Repayment of loans	(1,764,000)	-
Proceeds from the issue of share capital and options	2,496,016	840,000
Capital raising costs	(123,743)	(39,288)
Net cash inflow from financing activities	1,658,273	5,020,439
Net increase/(decrease) in cash held	5,472,321	(298,501)
Cash and cash equivalents held at beginning of financial period	501,647	954,840
Effect of exchange rate changes on cash and cash equivalents	(20,298)	(40,549)
Cash and cash equivalents at end of the half year	5,953,670	615,790

The Consolidated Cash Flow Statement is to be read in conjunction with the notes to the financial statements set out on pages 14 to 17.

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 2011 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 2011 are available upon request from the Company's registered office at Ground Floor, 1292 Hay Street, West Perth, WA, 6005 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 2011.

These consolidated interim financial statements were approved by the Board of Directors on 13 March 2012.

(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 2011 annual financial report for the financial year ended 30 June 2011. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(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) 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 2011.

(f) 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 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.

(g) 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. SALE OF ASSETS

	Consolidated	
	2011 $	2010 $
Sale proceeds	7,310,235	-
Cost of asset	(1,773,438)	-
Gain on Sale of Assets	5,536,797	-

On 23 September the Company announced the sale of 4.75% in La Posada for US$7.5m.

3. CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	31 December 2011 No.	30 June 2011 No.	31 December 2011 $	30 June 2011 $
Balance brought forward at the beginning of the period	3,116,504,995	940,714,198	39,678,355	28,604,313
Shares issued during the period:				
Equity issues for cash	623,300,999	1,669,781,968	2,493,204	8,573,927
Option Converted to Shares	187,500	-	2,812	-
Equity issues in lieu of debt	-	506,008,829	-	3,036,053
Costs of issue	-	-	(123,743)	(535,938)
Balance carried forward at the end of the period	3,739,993,494	3,116,504,995	42,050,628	39,678,355

4. RESERVES

Option Premium Reserve
As at 31 December 2011 the Company has on issue 1,428,288 (30 June 2011: 633,941) unlisted options over unissued ordinary shares, and NIL listed options (30 June 2011: NIL).

Share Option Reserve
During the period an amount of $25,149 (31 December 2010: $28,417) was recognised as an expense and corresponding movement in equity in respect of the fair value of options issued as equity based compensation.

5a. OIL AND GAS EXPLORATION EXPENDITURES

	Consolidated	
	31 December 2011 $	30 June 2011 $
Capitalised oil and gas expenditure	19,969,251	20,673,382
Provision for impairment	(10,097,728)	(9,034,730)
	9,871,523	11,638,652
Capitalised oil and gas expenditure		
Carrying amount at beginning of period	11,638,652	8,525,736
Expenditure during the period	2,349,949	9,020,438
Disposals	(1,773,438)	195,063
Acquisitions	296,233	-
Foreign exchange difference	394,825	(1,984,798)
Amortisation	-	(364,775)
Transfer to development	(1,971,700)	-
Impairment of capitalised expenditure	(1,062,998)	(3,753,012)
Carrying amount at end of period	9,871,523	11,638,652

During the period, expenditure on exploration was $2,349,949.

5b. OIL & GAS PROPERTIES

Development oil & gas assets	2,357,812	-
Provision for Amortisation	(111,509)	-
	2,246,303	-
Capitalised oil and gas properties		
Carrying amount at beginning of period	-	-
Expenditure during the period	301,838	-
Foreign exchange difference	84,275	-
Amortisation	(111,509)	-
Transfer from Exploration Expenditure	1,971,699	-
Carrying amount at end of period	2,246,303	-

During the period, expenditure on development was $301,838.

6. 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$3,329,097. The current costs in excess of this to the Company's account are estimated at USD$820,000 which are expected to be covered by the Company's umbrella policy.

A class action 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.

On 13 March 2011, the Company, together with a number of other parties, were joined in a new legal action brought about by the landowner and a neighbouring business operating within close proximity to the Company's operations seeking damages relating to the #1 Well event.

On 8 July 2011, the Company, together with a number of other parties, were joined in a new legal action brought about by a separate landowner within close proximity to the Company's operations seeking damages relating to the #1 Well event.

On 11 January 2012, the Company, together with a number of partners, sought damages from Lexington, the control of well insurer, in respect of non payment of care custody and control costs in relation to the blowout.

The Company undertakes to vigorously defend this action and any other action that might be brought against it by virtue of its joint venture interest in the Napoleonville Salt Dome Project. The Board is mindful of its obligations to investors and will immediately update ASX as and when more information becomes available.

The company currently believes that insurance will substantially cover the costs of the #1 Well clean up operations and any court cases or settlements that occur. The Company considers a potential outflow for a possible cost to it, net of insurance, of US$1,000,000. If the insurance does not cover these costs associated with the environmental clean-up, and/or current or future class actions result in an adverse finding against the Company, this would have a material adverse effect on the Company and could adversely affect the value of Shares held in the Company.

Subsequent to year end the company received partial insurance payment of US$523,869 and expects full recovery of the remaining $733,686, however, this can't be guaranteed.

Apart from the potential contingent liability noted above, there are no further contingent assets or liabilities existing at 31 December 2011.

7. BORROWINGS

Current		
Working capital loan	-	714,056

Seaspin Working Capital Facility

On 24 June 2011 the Company advised that it had entered into a loan agreement with a company related to Mr Charles Morgan, Seaspin Pty Ltd for the provision of a A$800,000 Loan to fund the Company's short-term working capital obligations whilst completing the Entitlements Offer. The loan and outstanding interest was repaid in August and September 2011.

Macquarie Bank Facility

The Macquarie Bank Facility was closed via partial repayment and the issue of 214,342,162 shares at 0.6 cents each and 107,171,081 free attaching options (valued at $1,286,053) during March 2011.

8. EVENTS SUBSEQUENT TO REPORTING DATE

Other than as set out below, there are not any matters or circumstances that have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Company which have not been disclosed in Company announcements.

1. The Company received partial insurance payments of US$523,869 towards its outstanding insurance claim receivable in respect of the D&L blowout.

9. 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.

10. DIVIDENDS

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

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 10 to 17 are in accordance with the Corporations Act and:

   a. give a true and fair view of the consolidated entity's financial position as at 31 December 2011 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, 13th March 2012

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INDEPENDENT AUDITORS 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 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity 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 disclosing entity 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 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 2011 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 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 2011 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*.

Emphasis of Matter

Without modifying our conclusion we draw attention to Note 6 in the half-year financial report which describes the uncertainty related to the outcome of a material portion of the insurance claim receivable of $1,257,555 recognised in the consolidated statement of financial position as at 31 December 2011. Our conclusion is not qualified in respect of this matter.

Emphasis of Matter

Without modifying our conclusion we draw attention to Note 6 in the consolidated financial report which describes the uncertainty related to the outcome of the class action filed in the U.S. against the Operator of the #1 Well in State Court for damages by certain residents of the Napoleonville area. Our conclusion is not qualified in respect of this matter.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Dated this 13th day of March 2012