GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

INTERIM REPORT

FOR THE HALF YEAR ENDED

31 December 2013

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2013.

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 Profit of the consolidated entity for the financial period after provision for income tax was $957,918 (loss 2012: $1,069,620). Production revenue for the half year has increased from $1,967,789 to $3,826,762 an increase of 94%. Gross profit increased from $902,727 to $1,533,391 (an increase of 70%).

Cash assets at 31 December 2013 of $1,257,735 increased from $1,005,646 as at 30 June 2013, after operations.

Deferred exploration assets as at 31 December 2013 of $10,602,899 (30 June 2013: $10,176,369). Oil and Gas Properties as at 31 December 2013 of $4,812,723 (30 June 2013: $5,162,200).

The Company is self-funding exploration and development programs and no equity raising were required during the period.

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

Production

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

	Sep Qtr	Dec Qtr	Half year
Oil (bbls)	13,295	17,689	30,984
Gas (mcf)	16,078	35,366	51,444
% Oil Equ.	96%	93%	94%

PRODUCTION AND DEVELOPMENT

Desiree Field Non Operator 35.6%
Napoleonville Salt Dome, Assumption Parish, Louisiana

The Hensarling #1 well (Desiree Field) was placed on production on 3 July 2013 and initial production rates unassisted were at ~240 bbls oil per day. The well was subsequently placed on Jet Pump in late September 2013 and is presently producing at around 385 bbls oil per day. The operator anticipates the well will sustain production rates between 350 to 400 bbls per day through a 25/64 inch choke until depleted or water production occurs.

Post drill, gross reserves are estimated to be 952,000 bbls oil in the Cris R II & III. The well is producing from the thicker Cris R III following which the overlying Cris R II will be completed for production.

At current production rates and prices the Desiree Field contributes net cash flow to the Company of US$250,000-$285,000 per month (US$3-$3.4 million per year). The Company, with its partners, is assessing the potential for further development well.

Dugas & Leblanc #3 Non Operator 40% WI
Napoleonville Salt Dome, Assumption Parish, Louisiana

The Dugas & Leblanc #3 well was recently placed on jet pump and is producing at rates of 145 bopd, ~75 Mcfpd and 390 bswpd from a 21/64 inch choke. Monthly cash flow net to the Company at current rates and prices is estimated at ~US$140,000.

Gross oil and gas production from 1 July to 31 December 2013 was 25,855 bbls oil and 55,202 mcf gas. The proven behind pipe reserves (PDP) at 31 December 2013 was estimated at 63,000 bbls of oil and 178,800 mcf of gas.

Abita Field
Non Operator 20%WI (15% after payout)
Plaquemines Parish, Louisiana,

The Abita field is being operated by Clayton Williams Energy Inc. The well commenced producing on 18 March 2012. The well revenue net to the Company is ~US$25,000 per month.

The well is presently producing 1.4 MMcfpd, 14 bcpd with 1-2 bswpd. Monthly. At 31 December 2013 the proved developed producing reserves (PDP) were 246 MMcf and 2 Mbc. The proved developed behind pipe reserves (PDB) are 2,397 MMcf and 48 Mbc for the "Lower 18", "18", "17", and "15" Sands.

West Klondike Discovery
Non Operator 11.713% WI
Iberville Parish, Louisiana,

The Wilbert Sons #1 well was successfully flow tested at over 2 MMcfpd from the lower Nod Blan in May 2013. The well has been suspended since pending installation of facilities. Delays in commencement of the facility construction have been driven by final JV participation in the facilities. This has now been resolved and facilities and pipeline are now being installed. The process is expected to be completed within the next 3 months with production of the Nod Blan to commence forthwith.

Electric logs of Wilbert Sons #1 indicate hydrocarbons in three reservoir horizons. A summary of the characteristics or each reservoir is provided below:

Depths	Sand	Net Pay	Hydrocarbons	Description
10,330-10,350	Lario	4ft	Oil	18-20% porosity appears tight
10,518 – 10,524	U Nod Blan	6ft	Condensate/gas	Good porosity
10,616-10,661	L Nod Blan	35ft	Oil/gas	Good porosity

The West Klondike feature continues to have the potential for a larger, separate, high pressure, deeper prospect in the leased area. The target sands of this deeper feature (Bridas) have recently yielded a significant discovery approximately 2.5km to the NE.

The West Klondike accumulation covers an area of 197 acres in Iberville Parish, Louisiana and is a fault block closure identified on 3D seismic data.

EXPLORATION

Louise Prospect, Non Operator 15.5%
Napoleonville Salt Dome, Assumption Parish, Louisiana,

The Louise Prospect was developed using proprietary 3D seismic data by the Company’s in-house Geological and Geophysical team. The prospect is of the same style as Desiree and is located to the immediate south. A unit owner not presently within the joint operating agreement is required to finalise its participation position this coming week which will clear the way for well preparations to commence.

A well to test the Louise prospect is expected to penetrate an accumulation of oil in a 3D-defined, normally pressured, block updip from a productive well where an equivalent target interval has produced 2.2 Mbbl oil and 10.5 Bcf gas. The Louise well is expected to be drilled in the March 2014 quarter and is targeting an estimated resource of between 600,000 to 800,000 bbls of oil. This well is considered low risk both from drilling operations and geological and geophysical perspectives.

Napoleonville Salt Dome Project

The current joint venture with Petrodome expires 31 March 2014. The Company is working with its JV partners to complete a diligent hand over of all work completed on the Dome. The Company is excited to recommence working directly with the seismic and other data in generating drilling locations and furthering the impressive work completed to date. Grand Gulf views Napoleonville as a significant and tangible asset that has a substantial number of untapped oil and gas prospects not unlike the Desiree and Dugas and Leblanc Discoveries.

Unmarketable Share Buy Back

The Company successfully undertook an unmarketable share buyback program to assist small shareholders. The share buy back program successfully placed 10.5 million shares reducing the share register by over 650 shareholders. The buyback program assisted these smaller shareholders by paying the costs associated with selling these securities and the Company's costs of managing its register have similarly been reduced.

AGM RESULTS

The Company confirms that all resolutions put to shareholders at the Annual General Meeting held on 28 November 2013, were carried unanimously on a show of hands.

Subsequent Events

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.

Auditor's 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 2013.

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

Dated this 25 February 2014

Mark Freeman
Executive Director

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

As lead auditor for the review of Grand Gulf Energy Ltd for the half-year ended 31 December 2013, 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 Ltd and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 25 February 2014

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 2013

	Note	31 December 2013 $	31 December 2012 $
Revenue		3,826,762	1,967,789
Cost of sales		(1,496,257)	(637,039)
Amortisation of oil and gas properties	6b	(797,114)	(428,023)
Gross profit		1,533,391	902,727
Other Income		306	1,121
Interest income		20	1,568
Employee benefits expense		(347,799)	(448,813)
Professional and statutory fees		(82,933)	(86,259)
Corporate office expenses		(57,465)	(74,444)
Impairment of capitalised oil and gas expenditure	6a	(98,450)	(1,301,763)
Foreign exchange gain/(loss)		26,479	(51,122)
Other expenses from ordinary activities		(15,391)	(611)
Borrowing Expenses		-	(11,786)
Depreciation		(239)	(238)
Profit/(Loss) before income tax		957,918	(1,972,347)
Income tax benefit/(expense)		-	-
Profit/(Loss) for the half year		957,918	(1,069,620)
Other Comprehensive Income			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign entities		537,257	(287,402)
Total comprehensive income for the half year		1,495,175	(1,357,022)
		Cents	**Cents**
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share		.128	(0.20)

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 11 to 14.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	31 December 2013 $	30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents		1,257,735	1,005,646
Trade and other receivables		1,720,103	995,223
Insurance claim receivable	7	143,880	97,143
Total Current Assets		3,121,718	2,098,012
Non-Current Assets			
Exploration expenditure	6a	10,602,899	10,176,369
Oil & gas properties	6b	4,812,723	5,162,200
Total Non-Current Assets		15,415,622	15,338,569
Total Assets		18,537,340	17,436,581
LIABILITIES			
Current Liabilities			
Trade and other payables		170,809	629,593
Total Current Liabilities		170,809	629,593
Non-Current Liabilities			
Provisions		218,214	207,618
Total Non-Current Liabilities		218,214	207,618
Total Liabilities		389,023	837,211
Net Assets		18,148,317	16,599,370
Equity			
Contributed equity	4	42,046,976	42,046,976
Reserves	5	3,773,577	3,182,548
Accumulated losses		(27,672,236)	(28,630,154)
Total Equity		18,148,317	16,599,370

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the Consolidated financial statements set out on pages 11 to 14.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	Contributed Equity	Share Option Reserve	Option Premium Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 01.07.2013	42,046,976	1,634,975	676,800	870,773	(28,630,154)	16,599,370
Profit/(Loss) for the half year	-	-	-	-	957,918	957,918
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	537,257		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**
Balance at 01.07.2012	42,046,979	1,538,770	676,800	(778,678)	(26,462,890)	17,020,981
Loss for the half year	-	-	-	-	(1,069,620)	(1,069,620)
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	(287,402)	-	(287,402)
Total comprehensive income for the half year	-	-	-	(287,402)	(1,069,620)	(1,325,710)
Transactions with owners in their capacity as owners:						
Shares Issued	-	-	-	-	-	-
Share Options	-	-	48,613	-	-	48,613
Balance at 31.12.12	**42,046,979**	**1,538,770**	**725,413**	**(1,066,080)**	**(27,532,510)**	**15,712,572**

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 11 to 14.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2013

	31 December 2013 $	31 December 2012 $
Cash Flows From Operating Activities		
Proceeds from sales	2,916,329	2,100,032
Payments to suppliers and employees	(445,965)	(334,088)
Production Costs	(911,008)	(353,481)
Interest received	20	1,568
Insurance payment	-	(136,542)
Net cash inflow from operating activities	1,559,376	1,277,489
Cash Flows From Investing Activities		
Payments for exploration and development	(778,579)	(3,006,968)
Payments for Development	(576,988)	(663,439)
Payment for Acquisition of projects	-	(92,766)
Net cash inflow/(outflow) from investing activities	(1,355,567)	(3,763,173)
Net cash inflow/(outflow) from financing activities	-	-
Net decrease/(increase) in cash held	203,809	(2,485,684)
Cash and cash equivalents held at beginning of financial period	1,005,646	3,816,421
Effect of exchange rate changes on cash and cash equivalents	48,280	(65,676)
Cash and cash equivalents at end of the half year	1,257,735	1,265,061

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Consolidated financial statements set out on pages 11 to 14.

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 2013 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 2013 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 2013.

These consolidated interim financial statements were approved by the Board of Directors on 25 February 2014

(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 2013 annual financial report for the financial year ended 30 June 2013. 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 2013, 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 2013.

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 2013. 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.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements, except as follows:

AASB 10 Consolidated Financial Statements;
AASB 11 Joint Arrangements;
AASB 13 Fair Value Measurement;
AASB 119 Employee benefits;
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.

(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 2013.

(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 profit or loss and other 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. 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

	Consolidated		Consolidated	
	31 December 2013 No.	**30 June 2013 No.**	**31 December 2012 $**	**30 June 2013 $**
Balance brought forward at the beginning of the period	747,998,870	747,998,870	42,046,976	42,046,976
Opening balance adjustment	-	-	-	-
Shares issued during the period:	-	-	-	-
Equity issues for cash				
Costs of issue	-	-	-	-
Balance carried forward at the end of the period	**747,998,870**	747,998,870	**42,046,976**	42,046,976

5. RESERVES

Option Premium Reserve
As at 31 December 2013 the Company has on issue 23,000,000 (30 June 2013 : 273,775,000) unlisted options over unissued ordinary shares, and nil listed options (30 June 2013: 1,469,545,952).

Share Option Reserve
During the period an amount of $53,772 (30 June 2013: $48,613) was recognised as an expense and corresponding movement in equity in respect of the fair value of options issued as equity based compensation.

6a. OIL AND GAS EXPLORATION EXPENDITURES

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
Capitalised oil and gas expenditure	25,729,190	25,204,210
Provision for impairment	(15,126,291)	(15,027,840)
Capitalised oil and gas expenditure	10,602,899	10,176,370
Capitalised oil and gas expenditure		
Carrying amount at beginning of period	10,176,369	10,548,865
Expenditure during the period	209,875	4,732,325
Disposals	-	(278,775)
Acquisitions	-	93,932
Foreign exchange difference	315,105	1,013,313
Transfer to Oil and Gas Properties	-	(4,231,940)
Impairment of capitalised expenditure	(98,450)	(1,471,905)
Carrying amount at end of period	10,602,899	10,176,369

During the period, expenditure on exploration was $209,875

6b. OIL & GAS PROPERTIES

Development oil & gas assets	7,220,845	6,773,100
Accumulated Amortisation	(2,408,122)	(1,610,900)

Capitalised oil and gas expenditure	4,812,723	5,162,200
Capitalised oil and gas properties		
Carrying amount at beginning of period	5,162,200	1,982,351
Expenditure during the period	308,688	16,522
Foreign exchange difference	138,949	542,287
Amortisation	(797,114)	(636,500)
Transfer from Exploration Expenditure	-	4,231,940
Carrying amount at end of period	4,812,723	5,162,200

During the period, expenditure on development was $308,688.

7. 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$4,887,047. The costs as at 31 December 2013 in excess of this to the Company's account were nil.

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. 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. Based on current and future cash flows expected, the Board does not consider this potential outflow to have a material adverse effect on the company.

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

8. EVENTS SUBSEQUENT TO REPORTING DATE

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.

9. DIVIDENDS

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

DIRECTORS' DECLARATION

The directors of the consolidated entity declare that:

1. The financial statements and notes, as set out on pages 7 to 14 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 2013 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, 25 February 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Grand Gulf Energy Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Grand Gulf Energy Ltd, which comprises the consolidated statement of financial position as at 31 December 2013, 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 2013 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 Ltd, 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 Ltd, 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 Ltd 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 2013 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
Director

Perth, 25 February 2014