



# Grand Gulf Energy Limited

ABN 22 073 653 175

## Annual Financial Report

for the financial year ended

**30 June 2018**

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# **CORPORATE DIRECTORY**

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## **DIRECTORS**

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

## **COMPANY SECRETARY**

Mr Mark Freeman

## **REGISTERED AND PRINCIPAL OFFICE**

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## **BANKERS**

National Australia Bank  
1232 Hay Street  
Perth WA 6005

## **ASX CODE**

GGE

## **ABN**

22 073 653 175

## CHAIRMAN'S LETTER

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Dear Fellow Shareholders,

During the year your company has continued to asses many opportunities as well as review existing operations.

As a result of this the Company has acquired a position in the very active Eagle Ford play in Burleson County, Texas, USA. The Company participated in workovers at the Pleasant Home Field but after a detailed review of all assets the Company has sold its interests in Abita, and withdrawn from Pleasant Home.

Production from the Desiree and Dugas and Leblanc have continued to outperform with production of 39,390 bbls of oil and 66,898 mcf of gasduring the year.

The Company marketed its East Texas Eagle Ford acreage at Summer Nape Expo in Houston during August 2018 with substantial interest in a potential farmout in order to reduce the Company's capital contribution to a reasonable level.

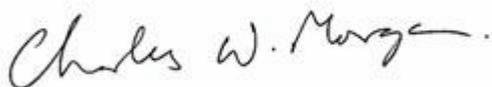
The balance sheet remains robust with cash on hand of \$1.69 million and no debt as at 30 June 2018.

In conclusion, I would like to take this opportunity to thank all shareholders for their continuing support .

The Company is seeking to finalise further projects in 2019.

I feel that we have laid the foundations for what will be a strong year in FY2019 and I look forward to updating you on our progress.

Thank you again for your support.



Charles W Morgan  
Chairman

# OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR ENDED 30 JUNE 2018

### Summary Overview

Grand Gulf Energy Limited (“Grand Gulf”/the “Company”) has concluded the 2018 financial year (“FY18” or “the year”). This makes the 8<sup>th</sup> year in a row that the Company has not required any equity or debt funding. The Company has generated revenue in excess of AUD \$31 million over the last 8 years and during the current year undertook oil and gas investments of ~AUD \$1 million in its expansion into the Eagleford in East Texas.

Grand Gulf continues to have a sound financial balance sheet with no debt, AUD \$1.69 million cash and strong reserves that generated gross revenues of over AUD \$3 million for last year. The Company’s operating activities are tabled below:

Sales Revenue	\$3,405,197
Costs of sales	\$(1,509,627)
Employee benefits expense	\$(431,053)
Other Administration Costs	\$(266,646)
<b>Net Loss</b>	<b>\$(543,093)</b>

### Business Strategies and Projects

Fundamentally the Company has been focussing on the following core activities:

#### 1. Napoleonville Salt Dome 3D

The Company owns 52 square miles of proprietary seismic over the Napoleonville Salt Dome in South Louisiana. The Dome has produced in excess of 180 BCF of gas and 22 mmb of oil). Two of the Company’s fields, Desiree and D&L, are located on the Napoleonville Salt Dome and collectively have produced in excess of 754,000 barrels of oil providing ~\$66 million of revenue over the last five years.

The Company believes that there is significant opportunity for discoveries below the Cris R sands. However, this is currently beyond the resources of the Company to undertake itself. The Company is therefore marketing the 3D seismic and its knowledge of the Napoleonville to companies with the resources to explore it.

To date there has been little exploration below the Cris R sands (which typically sit below the top of the overpressured zone at around 13,000ft). The Napoleonville Salt Dome is a prolific oil and gas salt dome where the opportunity to unlock substantial reserves in the deeper Marg Vag, Miogyp, Camerina and Cib Haz reservoirs, which are highly productive in the region, with the benefit of 3D seismic is yet to be realised.

#### 2. Existing Oil and Gas Fields

Fields	WI	Daily (bbl/d)	Gas (mcf/d)	Monthly Net Rev (US\$)	Years of Reserves Left (2P) *
Desiree	39.65%	175	-	\$100,000	2 yrs
D&L	55.5%	60	-	\$30,000	2.8yrs
West Klondike	11.93%		-	-	-
Total				\$130,000	

\* Assumes Production continues at the current rates. Typically wells decline production over time. A detailed summary of each well is provided below to be used in conjunction with this table when analysing the Company’s producing assets.

# OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 30 JUNE 2018

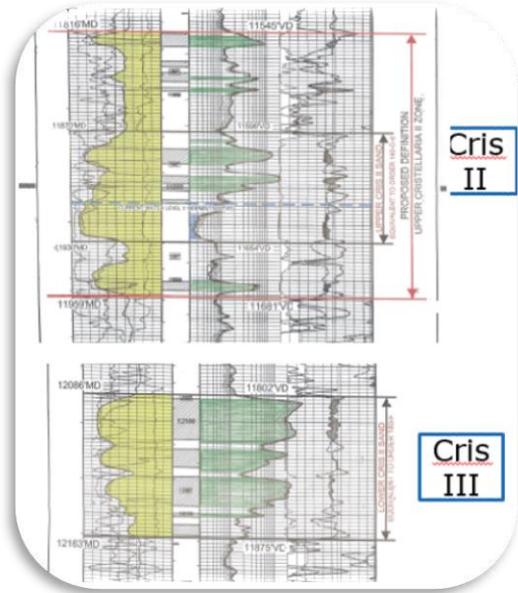
## Desiree Field

Desiree, Assumption Parish, Louisiana, Non-Operator 39.65%WI

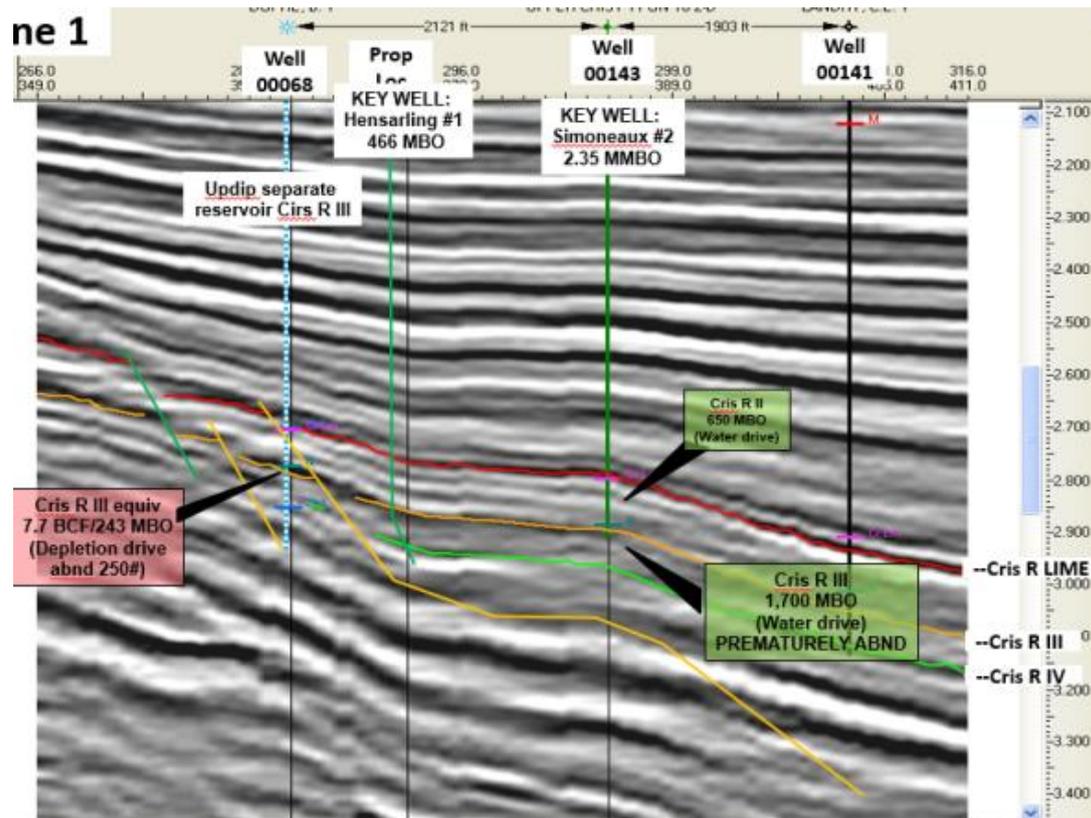
The Hensarling #1 well (Desiree Field) has produced 71,019 barrels of oil this year. The well is presently producing at ~180 bopd and has produced 536,481 barrels in total to 30 June 2018.

Remaining proved and probable reserves as at 30 June 2018 are estimated at 124,000 boe net to the Company after royalties.

The Hensarling #1 well produces from the Cris R3 sands. Production will move to the Cris R2 sand once the Cris R3 has depleted. The Hensarling well has 1P reserves of 203,000 bbls of oil. It is anticipated that the well will continue to produce for an additional 2 years on the basis that it produces at 175 bbls of oil per day. However, based on the historical production from the Cris R3, once the well is recompleted in the Cris R2 production rates may rise to approximately 400 barrels of oil per day due to the fact there will be limited initial water production. The Hensarling #1 well produced at over 400 bopd for the first 2 years of production from the Cris R3 interval.



Desiree remains a substantial asset to the Company with significant long-term reserves and cash flow.



# OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 30 JUNE 2018

## Dugas & Leblanc Field

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

The D&L#3 well (Dugas & Leblanc Field) produced 21,931 barrels of oil this year. The well is presently producing at 60 bopd and has produced over 288,645 barrels of oil. The D&L #3 well continues to outperform previous reserve estimates.



Remaining proved and probable reserves as at 30 June 2018 are estimated at 61,000 boe.

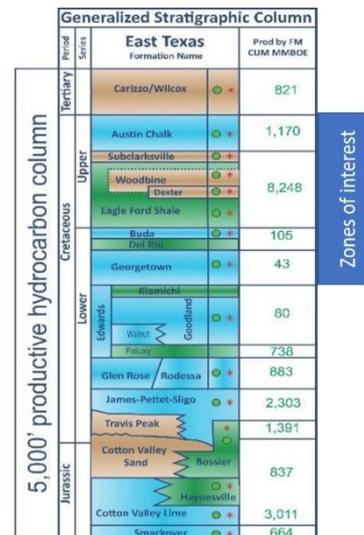
In addition to the production from D&L#3, the structure of the D&L Field has the potential to yield an additional 1.5 BCF of gas from an updip attic well. An updip well will be relatively inexpensive, with an estimated cost of US\$440,000 net to the Company's interest and has the ability to generate in excess of US\$4.5m of gross revenue (\$1.8million net).

## East Texas Prospect (50% WI) – 1,075 acres in the Eagle Ford

The Eagle Ford is the one of the most prolific oil and gas basin in North America and has the lowest breakeven production cost at \$54 per barrel (see table below) of all the unconventional plays. During the year the Company acquired a 50% interest in 881 net acres of 1,075 gross acres (440 acres net to GGE) in Burleson County, Texas as part of a 50/50 joint venture with a private Texas oil and gas company.

Critical to Grand Gulf's strategy in the highly sought after East Texas acreage is that the JV focussed on areas with carbonate rich rocks combined with high gravity oil and high pore pressures all of which enhance likely well recoveries and are located in the high oil cut precinct. The acreage secured is also in existing production units. Modern completions have generated very attractive results and there are four potential productive zones; Austin Chalk, Buda, Georgetown and Eagle Ford.

The acreage acquired to date provides 7 drilling locations each with capacity for laterals of 5,000-7,000ft. The plan is to drill three wells in the Eagle Ford and one in the Austin Chalk. Offset Operators are continuing development strategies in the Buda and Georgetown around our leases however to date the Austin Chalk and Eagle Ford have standout potential.



PLAY	AREA (km2)	GROSS THICKNESS	COST TO ACQUIRE ACREAGE (US\$/acre)	BREAKEVEN COSTS US\$/BOE
EAGLE FORD (US)	52,000	15-85m	\$15,000	\$54
BAKKEN (US/CAN)	520,000	Up to 40m	\$12,500	\$57
MONTNEY (CAN)	130,000	Up to 300m	\$5,000	\$58
BARNETT (US)	13,000	25-180m	\$6,000	\$64
HAYNESVILLE (US)	24,000	40-110m	\$6,500	\$66
MARCELLUS (US)	247,000	25-90m	\$10,000	\$89

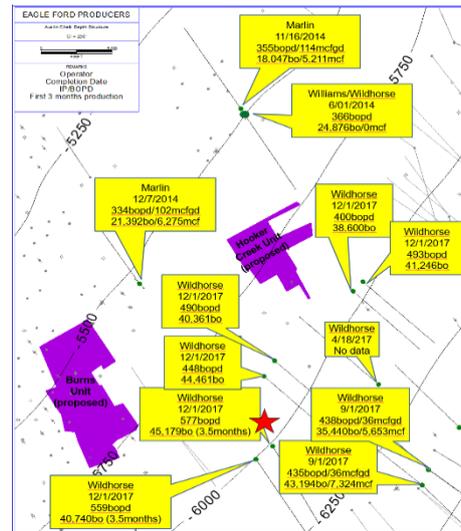
Source RS Energy Group, Feb 2018

## OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 30 JUNE 2018

Burleson County is one of the most active counties for drilling in the Eagle Ford. The Company's acreage is adjacent to WildHorse Resource Development (WildHorse) and Lone Star Resources. Both Wildhorse and Lone Star results continue to outperformed previous Eagle Ford type production curves with >80% of current wells yielding EUR estimates of over 91 boe/ft of horizontal well section, resulting in higher than average ultimate reserves estimates (EUR) per well.

The JV has finalised the majority of its leasing strategy and is presently marketing to secure a drilling operator for an Eagle Ford well. Total drilling costs (drilled and completed) are anticipated to be US\$5,00,000 per well. GGE is looking to farm-down its interest to a manageable economic level as part of any work program. The Company has spent ~US\$650,000 in total leasing costs (~\$1,200 per acre).

Based on published EUR's for the Eagle Ford, we estimate the following resources are potentially recoverable within the two proposed units, pending assumed lease acquisitions:



Interval	Barrels of oil	GGE Share (bbls oil)
Burns three 7,500' laterals:	1,758,500	879,250
Hooker Creek, one 5,500' lateral:	430,000	215,000
Total Eagle Ford Reserves:	2,188,500	1,094,250
Burns, one Austin Chalk:	250,000	125,000
Grand Total:	2,388,550	1,219,250

### Austin Chalk and Eagle Ford Oil and Gas Fields



# OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR ENDED 30 JUNE 2018

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

The Company disposed of its interests in the Abita field post year end for US\$100,000 net cash to the Company.

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

The Wilbert Sons LLC #1 well produced 860 barrels of oil for the year. The well is no longer on production and the operator is proposing alternative opportunities with the well bore to target deeper horizons untested in the initial drilling of the well.

### Net Reserves

## 2018 Reserves and Resources Summary

Reserves and Resources as of 30 June 2018

Net to Grand Gulf Energy Ltd

FILED (LICENCE)	NET REV INTEREST	PROVED(1P)			PROVED + PROBABLE (2P)			PROVED, PROBABLE, POSSIBLE (3P)		
		LIQUIDS MBBL	GAS MMCF	OIL EQUIV <sup>(1)</sup> MBOE	LIQUIDS MBBL	GAS MMCF	OIL EQUIV <sup>(1)</sup> MBOE	LIQUIDS MBBL	GAS MMCF	OIL EQUIV <sup>(1)</sup> MBOE
Reserves										
USA										
Dugas & Leblanc #3	43.20%	17	235	57	22	235	61	26	235	65
Desiree	30.96%	63	-	63	124	-	124	136	-	136
West Klondike	8.53%	-	-	-	-	-	-	-	-	-
Abita	14.60%	0	46	8	0	46	8	0	46	8
<b>Total Reserves</b>		<b>81</b>	<b>281</b>	<b>128</b>	<b>145</b>	<b>281</b>	<b>193</b>	<b>162</b>	<b>281</b>	<b>209</b>

CONTINGENT RESOURCES		1C			2C			3C		
Reserves										
USA										
Dugas & Leblanc #3	43.20%	-	216	36	-	324	54	-	648	108
Desiree	30.96%	-	-	-	-	-	-	-	-	-
West Klondike	8.53%	0.5	-	-	1	-	1	1	-	1
Abita	14.60%	-	-	-	-	-	-	-	-	-
<b>Total Contingent Resources</b>		<b>0</b>	<b>216</b>	<b>36</b>	<b>1</b>	<b>324</b>	<b>55</b>	<b>1</b>	<b>648</b>	<b>109</b>
<b>Total Reserves and Resources</b>		<b>82</b>	<b>497</b>	<b>164</b>	<b>146</b>	<b>605</b>	<b>248</b>	<b>163</b>	<b>929</b>	<b>318</b>

<sup>(1)</sup> Oil equivalent conversion factor: GMSCF per BBL

### Competent Persons Statement

The information in this report has been reviewed and signed off by Kevin Kenning (Registered Reservoir Engineer) and Mr Henry Greaves (Registered Geologist, Mississippi, USA), with over 33 years and 22 years respective relevant experience within oil and gas sector. This report contains forward looking statements that are subject to risk factors associated with resources businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

## OPERATING AND FINANCIAL REVIEW

### FOR THE YEAR ENDED 30 JUNE 2018

#### Financial Performance

Grand Gulf Energy recorded a statutory loss after tax of \$0.5 million for the financial year which compares with the loss after tax of \$2.2 million recorded in the 2017 financial year. The 2018 statutory loss includes a number of items which adversely affected the loss after tax by a total of \$1.4 million. These items principally comprise exploration expenses.

Financial Performance		FY18	FY17	Change	%
Sales revenue	\$	3,405,197	3,100,527	304,670	10%
Cost of Sales	\$	(1,509,627)	(1,551,562)	41,935	3%
Gross Profit (before amortisation)	\$	1,895,570	1,548,965	346,605	22%
Gross Profit/Sales Revenue	%	56%	50%		
Amortisation		(383,016)	(573,202)	190,186	33%
Gross Profit	\$	1,512,554	975,763	536,791	55%
Operating Cash Flow	\$	(235,127)	(1,102,020)	866,893	79%
Reported Loss	\$	(543,093)	(2,223,633)	1,680,540	76%
Underlying Ebitdae* (Non – IFRS)	\$	1,198,159	(29,276)	1,227,435	4,193%

\* Earnings before interest, tax, depreciation, amortisation and exploration

Calculation of underlying EBITDAE (Non-IFRS) is not a defined measure under International Financial Reporting Standards and is not audited.

The underlying EBITDAE (Non-IFRS) for the year ended 30 June 2018 was \$1,198,159 compared with an underlying EBITDAE (Non-IFRS) of (\$29,276) for the year ended 30 June 2017. The most significant factor which contributed to the movement between the periods was the higher sales revenue (an increase of \$304,670 from 30 June 2017) as a result of higher oil prices.

#### Financial Position

Financial Position		FY18	FY17	Change	%
Total Assets	\$	4,594,996	5,091,152	(496,156)	(10%)
Total Liabilities	\$	448,715	561,712	(112,997)	(20%)
Total Equity	\$	4,146,281	4,529,440	(383,159)	(8%)

#### Assets

Total assets decreased by \$496,156 from \$5.1 million to \$4.6 million. At 30 June 2018 the Company held cash balances of \$1.69 million and no debt.

Oil and gas assets decreased by \$428,953 mainly as a result of amortisation.

Trade and other receivables increased \$43,584 to \$533,689, mainly due to an increase in the insurance claim.

#### Total Liabilities

Restoration provision reduced from \$361,342 to \$320,509.

Trade and other payables decreased by \$72,164 from \$200,370 to \$128,206.

#### Total Equity

Total equity has decreased by \$383,159 from \$4.53 million to \$4.15 million. In comparing equity for the period to the prior corresponding period, the key movements were:

- higher accumulated losses of \$543,093 due to the reported loss for the period.
- an increase of \$159,934 in reserves due to Foreign Currency Translation Reserve movements.

# OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR ENDED 30 JUNE 2018

### Outlook

Grand Gulf Energy anticipates production of approximately 38,000 bbl oil and 60,000 mcf gas from its operations in FY18. Most of the Company's revenue is forecast to come from Desiree's oil production of approximately 27,000bbl oil.

The Company continues to manage general and administration costs tightly.

### Funding and Capital Management

Grand Gulf Energy seeks to manage its capital with the objective of providing shareholders with the optimal risk-weighted return from the application of its expertise in the exploration, development, production and sale of hydrocarbons.

At 30 June 2018 the Company had cash of \$1.69 million.

### Risk Management

The Company manages risks in accordance with its risk management policy with the objective of ensuring all risks inherent in oil and gas exploration and production activities are identified, measured and then managed or kept as low as reasonably practicable. The Board performs risk assessments on a regular basis.

Key risks which may materially impact the execution and achievement of the business strategies and prospects for Grand Gulf Energy are summarised below and are risks largely inherent in the oil and gas industry. This should not be taken to be a complete or exhaustive list of risks nor are risks disclosed in any particular order. Many of the risks are outside the control of the Company and its officers.

Appropriate policies and procedures are continually being developed and updated to manage these risks.

	Risk	Description
1	Exploration	<p>Exploration is a speculative activity with an associated risk of discovery to find any oil and gas in commercial quantities and a risk of development. If Grand Gulf Energy is unsuccessful in locating and developing or acquiring new reserves and resources that are commercially viable, this may have a material adverse effect on future business, results of operations and financial conditions.</p> <p>Grand Gulf Energy utilises established methodologies and experienced personnel to evaluate prospects and manage the risk associated with exploration. The Company also ensures that all major decisions are subjected to assurance reviews which includes external experts and contractors where appropriate.</p>
2	Development and Production	<p>Development and production of oil and gas projects may be exposed to low side reserve outcomes, cost overruns, production decrease or stoppage, which may result from facility shutdowns, mechanical or technical failure and other unforeseen events. Grand Gulf Energy undertakes technical, financial, business and other analysis in order to determine a project's readiness to proceed from an operational, commercial and economic perspective. Even if Grand Gulf Energy recovers commercial quantities of oil and gas, there is no guarantee that a commercial return can be generated.</p> <p>Grand Gulf Energy has a project risk management and reporting system to monitor the progress and performance of material projects and is subject to regular review by senior management and the Board. All major development and investment decisions are subjected to assurance reviews which includes experts and contractors where appropriate.</p>
3	Regulatory	<p>Grand Gulf Energy operates in a highly regulated environment. Grand Gulf Energy endeavours to comply with the regulatory authorities requirements. There is a risk that regulatory approvals are withheld, take longer than expected or unforeseen circumstance arise where requirements are not met and costs may be incurred to remediate non compliance and/or obtain approval(s). Changes in Government, monetary, taxation and other laws in Australia or internationally may impact the Company's operations.</p>

**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 30 JUNE 2018**

		Grand Gulf Energy monitors legislative and regulatory developments and works to ensure that all stakeholder concerns are addressed fairly and managed. Policies and procedures are independently reviewed and audited to help ensure they are appropriate and comply with all regulatory requirements.
4	Market	<p>The oil market and Australian domestic gas market are subject to the fluctuations of supply and demand and price. To the extent that future actions of third parties contribute to demand destruction or there is an expansion of alternative supply sources, there is a risk that this may have a material adverse effect on price for the oil and gas produced and the Company's business, results of operations and financial condition.</p> <p>Grand Gulf Energy monitors developments and changes in the international oil and domestic gas market and conducts regular risk assessments.</p>
5	Oil and Gas Prices	<p>Future value, growth and financial condition are dependent upon the prevailing prices for oil and gas. Prices for oil and gas are subject to fluctuations and are affected by numerous factors beyond the control of Grand Gulf Energy.</p> <p>Grand Gulf Energy monitors and analyses the oil and gas markets and seeks to reduce price risk where reasonable and practical. The Company has policies and procedures for entering into hedging contracts to mitigate against the fluctuations in oil price and exchange rates.</p>
6	Operating	<p>There are a number of risks associated with operating in the oil and gas industry. The occurrence of any event associated with these risks could result in substantial losses to the Company that may have a material adverse effect on Grand Gulf Energy's business, results of operations and financial condition.</p> <p>To the extent that it is reasonable to do so, Grand Gulf Energy mitigates the risk of loss associated with operating events through insurance contracts. Grand Gulf Energy operates with a comprehensive range of operating and risk management plans and an HSEC management system to ensure safe and sustainable operations.</p>
7	Counterparties	<p>The ability of the Company to achieve its stated objectives will depend on the performance of the counterparties under various agreements it has entered into. If any counterparties do not meet their obligations under the respective agreements, this may impact on operations, business and financial conditions.</p> <p>Grand Gulf Energy monitors performance across material contracts against contractual obligations to minimise counterparty risk and seeks to include terms in agreements which mitigate such risks.</p>
8	Reserves	<p>Oil and gas reserves are expressions of judgement based on knowledge, experience and industry practice. These estimates may alter significantly or become uncertain when new information becomes available and/or there are material changes of circumstances which may result in Grand Gulf Energy altering its plans which could have a positive or negative effect on Grand Gulf Energy's operations.</p> <p>Reserve management is consistent with the definitions and guidelines in the Society of Petroleum Engineers 2007 Petroleum Resources Management Systems. The assessment of Reserves and Resources is also subject to independent review from time to time.</p>
9	Environmental	<p>Grand Gulf Energy's exploration, development and production activities are subject to state, national and international environmental laws and regulations. Oil and gas exploration, development and production can be potentially environmentally hazardous giving rise to substantial costs for environmental rehabilitation, damage control and losses.</p> <p>Grand Gulf Energy has a comprehensive approach to the management of risks associated with health, safety, environment and community which includes standards for asset reliability and integrity, as well as technical and operational competency and requirements.</p>

**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 30 JUNE 2018**

10	Funding	<p>Grand Gulf Energy must undertake significant capital expenditures in order to conduct its development appraisal and exploration activities. Limitations on the accessing to adequate funding could have a material adverse effect on the business, results from operations, financial condition and prospects. Grand Gulf Energy's business and, in particular development of large scale projects, relies on access to debt and equity funding. There can be no assurance that sufficient debt or equity funding will be available on acceptable terms or at all.</p> <p>Grand Gulf Energy endeavours to ensure that the best source of funding to maximise shareholder benefits and having regard to prudent risk management is obtained and is supported by economic and commercial analysis of all business undertakings</p>
11	Abandonment Liabilities	<p>Grand Gulf Energy has certain obligations in respect of decommissioning of its fields, production facilities and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require Grand Gulf Energy to make provisions for such decommissioning and the abandonment of assets. Provisions for the costs of this activity are informed estimates and there is no assurance that the costs associated with decommissioning and abandoning will not exceed the amount of long term provisions recognised to cover these costs.</p> <p>Grand Gulf Energy recognises restoration provisions after the construction of the facility and conducts a review on an annual basis. Any changes to the estimates of the provisions for restoration are recognised in line with accounting standards.</p>

## DIRECTOR'S STATUTORY REPORT

### FOR THE YEAR ENDED 30 JUNE 2018

The Directors of Grand Gulf Energy Limited submit herewith the annual financial report of the Group consisting of Grand Gulf Energy Limited and the entities it controlled at the end of, or during the year ended 30 June 2018 (referred to hereafter as the group).

#### REVIEW AND RESULTS OF OPERATIONS

For the financial year ended 30 June 2018, the loss attributable to members of the Group is \$543,093 (2017: loss \$2,223,633).

#### DIRECTORS

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

<p><b>Mr Charles Morgan</b> Executive Chairman - Appointed 19 January 2006</p>	<p><b>Experience and Expertise</b> Mr Morgan has been involved in the oil and gas industry since 1995. He has been involved in oil and gas assets in South East Asia, USA, Africa and Europe.</p> <p><b>Responsibilities</b> Mr Morgan is Chairman of the Board of Directors. Mr Morgan is responsible for guiding Company strategy and for reviewing and providing guidance on finance, corporate, acquisition, exploration and production activities.</p> <p><b>Former and current directorships in last 3 years</b> Current: Whitebark Energy Ltd (formerly Transerv Energy Limited) (appointment 9 October 2016).  Former: ADG Global Supply Ltd (resigned 29 July 2016).</p>
<p><b>Mr Mark Freeman</b> B.com, CA, F.Fin Managing Director – Appointed 27 October 2010 and Company Secretary - Appointed 22 April 2010</p>	<p><b>Experience and Expertise</b> Mr Freeman is a Chartered Accountant and has more than 20 years' experience in corporate finance and the resources industry. He has experience in project acquisitions and management, strategic planning, business development, M&amp;A, asset commercialisation, and project development. Prior experience with Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources Ltd and Matra Petroleum Plc.</p> <p><b>Responsibilities</b> Mr Freemam is responsible for strategy, finance, corporate, acquisition, exploration and production activities and the day to day management of Grand Gulf Energy.</p> <p><b>Former and current directorships in last 3 years</b> None</p>
<p><b>Mr Stephen Keenihan</b> B.Sce (Hons Geology) Non-Executive Director Appointed 13 November 2006</p>	<p><b>Experience and Expertise</b> Mr Keenihan is a geologist with more than 40 years' of experience in the upstream oil and gas industry and extensive international experience. Previous positions include exploration manager for Apache Australia and LASMO, regional managers Australia for Novus Petroleum and WMC Resources Petroleum Division. He has managed exploration, development, operations, commercial and marketing activities in the energy industry</p> <p><b>Responsibilities</b> Mr Keenihan provides insight and guidance for the Company's strategy as well as providing technical expertise in the Company's exploration and production activities.</p> <p><b>Former and current directorships in last 3 years</b> Current: Whitebark Energy Ltd (formerly Transerv Energy Limited) (appointed 23 March 2011).</p>

## DIRECTOR'S STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2018

<b>Mr Allan Boss</b> B. Com Doctor of Jurisprudence Executive Director Appointed 13 November 2006	<b>Experience and Expertise</b> Mr Boss is a Houston-based banker and lawyer with 30 years' experience providing legal services and representations to the oil and gas industry and was lead counsel to NiSource Inc, a Fortune 500 energy utility.  <b>Responsibilities</b> Mr Boss provides insight and guidance for the Company's strategy and legal guidance with regards to the Company's operations. He also provides liaison for the Company and its stakeholders in Houston.  <b>Former and current directorships in last 3 years</b>  None
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### CORPORATE INFORMATION

#### Corporate Structure

Grand Gulf Energy Limited is a company limited by shares that is incorporated and domiciled in Australia. Grand Gulf Energy Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

#### Nature of Operations and Principal Activities

The principal activity of the Group during the financial year was the production, exploration and evaluation of oil and gas leases.

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

As at 30 June 2018 the consolidated cash position was \$1,686,664 (2017: \$1,859,399).

### EVENTS SINCE THE END OF FINANCIAL YEAR

During August 2018 the company disposed of its interests in the Abita field post year end for US\$100,000 net cash to the Company.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

### DIVIDENDS

The Directors recommend that no amount be paid by way of dividend. No dividend has been paid or declared since the start of the financial year (2017: nil).

### ENVIRONMENTAL REGULATION

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

# DIRECTOR'S STATUTORY REPORT

## FOR THE YEAR ENDED 30 JUNE 2018

### NGER ACT

The Directors consider the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act will have no effect on the Company for the current nor subsequent financial year. The Directors will reassess this position as and when the need arises.

### SHARE OPTIONS

As at the date of this report, there were a total of nil listed options (2017: nil listed options) and 92,000,000 unlisted options (2017: 92,000,000). Refer to note 24 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of an option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme. During the financial year, the Company did not issue any employee options. Details regarding the issue of share options under this plan are provided in the directors' report. There were no shares issued on the exercise of options during the year.

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

#### Securities

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

#### Ordinary Shares

Holder	Balance at Beginning of Year	Other Purchases/Sales	Other changes during the year	Balance at the date of report
Mr C Morgan	158,100,476	9,500,000	-	167,600,476
Mr S Keenihan	3,917,229	-	-	3,917,229
Mr M Freeman	-	-	-	-
Mr A Boss	2,481,720	-	-	2,481,720
<b>Total</b>	<b>164,499,425</b>	<b>9,500,000</b>	<b>-</b>	<b>173,999,425</b>

#### Options

Holder	Balance at beginning of year	Granted as compensation	Expired	Balance as at date of report	Vested and exercisable
Mr C Morgan	15,000,000	-	-	15,000,000	15,000,000
Mr M Freeman	28,000,000	-	-	28,000,000	28,000,000
Mr S Keenihan	13,000,000	-	-	13,000,000	13,000,000
Mr A Boss	15,000,000	-	-	15,000,000	15,000,000
<b>Total</b>	<b>71,000,000</b>	<b>-</b>	<b>-</b>	<b>71,000,000</b>	<b>71,000,000</b>

# DIRECTOR'S STATUTORY REPORT

## FOR THE YEAR ENDED 30 JUNE 2018

### REMUNERATION REPORT (Audited)

#### Details of key management personnel

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

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

- A. Principles Used to Determine the Nature and Amount of Remuneration
- B. Service Agreements
- C. Details of Remuneration
- D. Share Based Compensation
- E. KMP Interest in Securities

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

#### A. Principles Used to Determine the Nature and Amount of Remuneration

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and Executive Officers. The Board has determined due to the size and nature of the Company the functions of the remuneration committee will be performed by the Board. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are paid their base remuneration in cash only.

To assist in achieving these objectives, the Board will link the nature and amount of executive Directors' and officers' emoluments to the Company's financial and operational performance.

Executive Officers are those directly accountable for the operational management and strategic direction of the Company and the Group. The following table shows key performance indicators for the group over the last five years:

	2018	2017	2016	2015	2014
Restated* profit / (loss) for the year	(543,093)	(2,223,633)	(560,508)	(2,145,306)	(2,889,318)
Restated basic earnings/(loss) per share (cents per share)	(0.071)	(0.297)	(0.075)	(0.287)	(0.39)
Dividend payments	-	-	-	-	-
Dividend payment ratio (%)	-	-	-	-	-
Increase/(decrease) in share price (%)	nil	(33%)	(17%)	(25%)	100%

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

*\*Balance at 30 June 2015 and prior years restated as a result of change in accounting policy disclosed.*

#### Non-executive Directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

## DIRECTOR'S STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2018

### *Fixed remuneration*

Fixed remuneration consists of a base remuneration package, which includes directors' fees (in the case of Directors), salaries, consulting fees and employer contributions to superannuation funds.

Fixed remuneration levels for Directors and executive officers are reviewed annually by the Board through a process that considers the employee's personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data. Key performance indicators (KPIs) are individually tailored by the Board for each director and executive officer each year and reflect an assessment of how that employee can fulfil their particular responsibilities in a way that best contributes to Company performance and shareholder wealth in that year.

### *Performance-linked remuneration*

All employees may receive bonuses and/or share options as part of a package to retain their services and/or based on achievement of specific goals related to performance against individual KPIs and to the performance of the Company as a whole as determined by the Directors, based on a range of factors. These factors include traditional financial considerations such as operating performance, cash consumption and deals concluded and also industry-specific factors relating to the advancement of the Company's exploration and development activities and relationships with third parties and internal employees.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

The Board determines the total amount of performance-linked remuneration payable as a percentage of the total annualised salaries for all employees employed as at the end of the financial year (with pro rata reductions to the annualised salary made for any employee not employed for the entire financial year). Once the Board has determined the total performance-linked remuneration payable across the Company, Board Members assess the performance of each individual staff member within their department, relative to that staff member's KPIs and decide how much performance-linked remuneration should be paid to that person.

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

### **Voting and comments made at the Company's 2017 Annual General Meeting**

GGE received more than 99.9% of "yes" votes (excluding director's votes) on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### **B. Service Agreements**

Remuneration and other terms of employment for the Executive Director is formalised in a service agreement. The agreement provides for the provision of performance-related cash bonuses, determined and paid on the basis of the Company's performance reflected through increase in the market capitalisation of the Company and upon successful capital raisings, other benefits including health insurance, car allowances, and participation when eligible, in the Grand Gulf Energy Limited Employee Option Plan.

Other major provisions of the agreements relating to remuneration are set out below. The contract may be terminated early by the Company with reason or by the executive, with three months' notice, or by the Company without reason, giving 3 months' notice, subject to termination payments as detailed below:

Name	Term of agreement	Base salary including superannuation	Termination benefit
Mr C Morgan	Commencing 1 July 2013	\$72,000	3 months base salary
Mr M Freeman	Commencing 1 March 2016	\$200,000	3 months base salary
Mr S Keenihan	Commencing 1 July 2013	\$48,000	3 months base salary
Mr A Boss	Commencing 1 November 2011	US\$120,000 (AU\$154,800)	3 months base salary

## DIRECTOR'S STATUTORY REPORT

### FOR THE YEAR ENDED 30 JUNE 2018

#### C. Details of Remuneration

Details of the remuneration of the Directors and the key management personnel of Grand Gulf Energy Limited consolidated group are set out in the following tables. The key management personnel of Grand Gulf Energy Limited consolidated group during the year ended 30 June 2018 includes the following Directors and executives:

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

Remuneration packages contain the following key elements:

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

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

#### 2018

	Short term benefits		Post-employment	Equity		Total
	Salary and fees	Bonus	Super-annuation	Options	Shares	
	\$	\$	\$	\$	\$	\$
<i>Directors</i>						
Mr C Morgan	72,000	-	-	-	-	72,000
Mr S Keenihan	48,000	-	-	-	-	48,000
Mr A Boss	154,800	-	-	-	-	154,800
Mr M Freeman	200,000	-	-	-	-	200,000
<b>Total</b>	<b>474,800</b>	-	-	-	-	<b>474,800</b>

#### 2017

	Short term benefits		Post-employment	Equity		Total
	Salary and fees	Bonus	Super-annuation	Options	Shares	
	\$	\$	\$	\$	\$	\$
<i>Directors</i>						
Mr C Morgan	72,000	-	-	60,000	-	132,000
Mr S Keenihan	48,000	-	-	40,903	-	88,903
Mr A Boss	160,000	-	-	41,505	-	201,505
Mr M Freeman	200,000	-	-	82,409	-	282,409
<b>Total</b>	<b>480,000</b>	-	-	<b>224,817</b>	-	<b>704,817</b>

## DIRECTOR'S STATUTORY REPORT

### FOR THE YEAR ENDED 30 JUNE 2018

#### D. Share Based Compensation

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

Name	Grant Date	Number	Vesting Conditions	Exercise Price	Expiry Date	Value per option at grant date
A Boss	20 Nov 14	5,000,000	(i)	\$0.014	30 Nov 18	\$0.0025
S Keenihan	20 Nov 14	3,000,000	(i)	\$0.014	30 Nov 18	\$0.0025
M Freeman	20 Nov 14	8,000,000	(i)	\$0.014	30 Nov 18	\$0.0025
C. Morgan	7 Dec 16	15,000,000	(i)	\$0.008	30 Jun 20	\$0.0040
A Boss	7 Dec 16	10,000,000	(i)	\$0.008	30 Jun 20	\$0.0040
S Keenihan	7 Dec 16	10,000,000	(i)	\$0.008	30 Jun 20	\$0.0040
M Freeman	7 Dec 16	20,000,000	(i)	\$0.008	30 Jun 20	\$0.0040

(i) The options are fully vested

*Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance.*

In considering the Company's performance and its effect on shareholder wealth, the Board have regard to a broad range of factors, some of which are financial and others of which relate to the progress on the Company's projects, results and progress of exploration and development activities, joint venture agreements etc. The Board also gives consideration to the Company's result and cash consumption for the year. It does not utilise earnings per share as a performance measure or contemplate payment of any dividends in the short to medium term given that all efforts are currently being expended to build the business and establish self-sustaining revenue streams.

#### E. KMP Interest in Securities

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

##### Options

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

30 June 2018	Balance at start of the year	Granted during the year	Lapsed/ Expired/ Forfeited	Balance at the end of the year	Vested and Exercisable at end of year	Unvested at end of year
	No.	No.	No.	No.	No.	No.
<b>Directors &amp; KMP</b>						
Mr M Freeman	28,000,000	-	-	28,000,000	28,000,000	-
Mr A Boss	15,000,000	-	-	15,000,000	15,000,000	-
Mr C Morgan	15,000,000	-	-	15,000,000	15,000,000	-
Mr S Keenihan	13,000,000	-	-	13,000,000	13,000,000	-
<b>Total</b>	<b>71,000,000</b>	<b>-</b>	<b>-</b>	<b>71,000,000</b>	<b>71,000,000</b>	<b>-</b>

## DIRECTOR'S STATUTORY REPORT

FOR THE YEAR ENDED 30 JUNE 2018

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### Shareholdings

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

30 June 2018	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at end of the year
	No.	No.	No.	No.
<b>Directors &amp; KMP</b>				
Mr C Morgan	158,100,476	-	9,500,000	167,600,476
Mr M Freeman	-	-	-	-
Mr A Boss	2,481,720	-	-	2,481,720
Mr S Keenihan*	3,917,229	-	-	3,917,229
<b>Total</b>	<b>164,499,425</b>	<b>-</b>	<b>9,500,000</b>	<b>173,999,425</b>

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

*This the end of the audited remuneration report.*

## DIRECTOR'S STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2018

### Shares issued on the exercise of options

There were no ordinary shares of Grand Gulf Energy Limited issued during the year ended 30 June 2018 on the exercise of options granted under the Grand Gulf Energy Limited Employee Option Plan. No amounts are unpaid on any of the shares.

### Indemnification and Insurance of Directors and officers

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

### DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each Director (while they were a director or committee member).

	Board of Directors	
	Held	Attended
Mr C Morgan	3	3
Mr A Boss	3	3
Mr S Keenihan	3	3
Mr M Freeman	3	3

The Company did not have committee meetings in the year.

### NON-AUDIT SERVICES

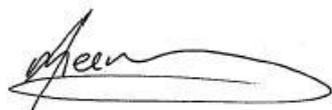
The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the group are important.

No non-audit services were provided during the year.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on the following page.

Dated at Perth 20 September 2018, and signed in accordance with a resolution of the Directors.



**Mr Mark Freeman**  
Managing Director

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

As lead auditor of Grand Gulf Energy Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jarrad Prue  
Director

BDO Audit (WA) Pty Ltd  
Perth, 20 September 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
	Notes	\$	\$
Revenue from continuing operations	2	3,405,197	3,100,527
Other income	3(a)	288	305
Cost of sales	3(b)	(1,509,627)	(1,551,562)
Interest income		517	50,123
Exploration and evaluation expenditure		(1,355,098)	(1,781,857)
Corporate office expenses	3(b)	(119,643)	(100,187)
Employee benefits expense		(431,053)	(444,542)
Share based payment expense	24(c)	-	(268,128)
Amortisation of oil and gas properties	9	(383,016)	(573,202)
Impairment of oil and gas properties	9	-	(306,147)
Hedging Cost		-	(140,962)
Foreign exchange	3(b)	-	(75)
Professional and statutory fees		(97,743)	(135,649)
Depreciation	3(b)	(3,656)	(5,326)
Other expenses		(49,259)	(66,951)
<b>Loss before income tax</b>		<b>(543,093)</b>	<b>(2,223,633)</b>
Income tax (expense)/ benefit	4	-	-
Loss from continuing operations		<b>(543,093)</b>	<b>(2,223,633)</b>
<b>Loss after income tax</b>		<b>(543,093)</b>	<b>(2,223,633)</b>
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation		159,934	(99,399)
<b>Total comprehensive profit/(loss) for the year</b>		<b>(383,159)</b>	<b>(2,323,032)</b>
<b>Earnings/(loss) per share for the year</b>			
<b>Attributable to the member of Grand Gulf Energy Ltd</b>			
Basic earnings/(loss) per Share (cents per share)	20	(0.071)	(0.297)
Diluted earnings/(loss) per share (cents per share)	20	(0.071)	(0.297)

*The above consolidated statement of profit or loss and other comprehensive Income should be read in conjunction with the accompanying notes to the financial statements.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	15(a)	1,686,664	1,859,399
Trade and other receivables	6	497,449	484,267
Other assets	6	36,240	5,838
Asset held for sale	7	65,574	-
<b>Total Current Assets</b>		<u>2,285,927</u>	<u>2,349,504</u>
<b>Non-Current Assets</b>			
Investment		2	2
Property plant & equipment	8	1,541	5,167
Oil & gas properties	9	2,307,526	2,736,479
<b>Total Non-Current Assets</b>		<u>2,309,069</u>	<u>2,741,648</u>
<b>Total Assets</b>		<u>4,594,996</u>	<u>5,091,152</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	128,206	200,370
<b>Total Current Liabilities</b>		<u>128,206</u>	<u>200,370</u>
<b>Non-Current Liabilities</b>			
Restoration provision	11	320,509	361,342
<b>Total Non-Current Liabilities</b>		<u>320,509</u>	<u>361,342</u>
<b>Total Liabilities</b>		<u>448,715</u>	<u>561,712</u>
<b>Net Assets</b>		<u>4,146,281</u>	<u>4,529,440</u>
<b>EQUITY</b>			
Contributed equity	12	42,104,442	42,104,442
Reserves	13	5,164,951	5,005,017
Accumulated losses	14	(43,123,112)	(42,580,019)
<b>Total Equity</b>		<u>4,146,281</u>	<u>4,529,440</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Contributed Equity	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	42,104,442	2,311,880	2,016,337	676,800	(42,580,019)	4,529,440
Profit/(loss) attributable to members of the parent entity	-	-	-	-	(543,093)	(543,093)
Foreign currency translation adjustment	-	159,934	-	-	-	159,934
Total comprehensive income/(loss) for the year	-	159,934	-	-	(543,093)	(383,129)
<b>Transactions with owners in their capacity of owners</b>						
Shares issued, net of issue costs	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-
<b>Balance at 30 June 2018</b>	<b>42,104,442</b>	<b>2,471,814</b>	<b>2,016,337</b>	<b>676,800</b>	<b>(43,123,112)</b>	<b>4,146,281</b>
Balance at 1 July 2016	42,045,942	2,411,279	1,748,209	676,800	(40,356,386)	6,525,844
Profit/(loss) attributable to members of the parent entity	-	-	-	-	(2,223,633)	(2,223,633)
Foreign currency translation adjustment	-	(99,399)	-	-	-	(99,399)
Total comprehensive income/(loss) for the year	-	(99,399)	-	-	(2,223,633)	(2,323,032)
<b>Transactions with owners in their capacity of owners</b>						
Shares issued, net of issue costs	58,500	-	-	-	-	58,500
Share based payment	-	-	268,128	-	-	268,128
<b>Balance at 30 June 2017</b>	<b>42,104,442</b>	<b>2,311,880</b>	<b>2,016,337</b>	<b>676,800</b>	<b>(42,580,019)</b>	<b>4,529,440</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

		2018	2017
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,411,493	3,152,825
Payments to suppliers and employees		(741,558)	(1,053,422)
Interest received		517	50,123
Insurance pre-payment (refundable)		(29,004)	23,373
Production costs		(1,535,749)	(1,551,562)
Payments for exploration and evaluation		(1,340,826)	(1,723,357)
Net cash (outflows) from operating activities	15(b)	(235,127)	(1,102,020)
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		29	-
Payments for development of oil & gas properties		(2,694)	(147,599)
Net cash (outflows) from investing activities		(2,665)	(147,599)
<b>Net (decrease) in cash and cash equivalents</b>		(237,792)	(1,249,619)
<b>Cash and cash equivalents at the beginning of the financial year</b>		1,859,399	3,108,828
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		65,057	190
<b>Cash and cash equivalents at the end of the financial year</b>	15(a)	1,686,664	1,859,399

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Notes to the Consolidated Financial Statements

### REPORTING ENTITY

Grand Gulf Energy Ltd (the 'Parent Entity') is a company listed on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia. The consolidated financial statements of the Group for the financial year ended 30 June 2018 comprises the Parent Entity and its subsidiaries (together referred to as the 'Group').

The financial statements were authorised for issue by the Board of Directors on 20 September 2018.

### BASIS OF PREPARATION

#### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial statements of the Group also complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Grand Gulf Energy Limited is a for-profit entity for the purpose of preparing the financial statements.

#### New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for ended 30 June 2018 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Reference and Title	Summary	Application date of standard	Impact on 30 June 2018 financial statements
AASB 9 - Financial Instruments	<p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application</p>	Annual reporting periods commencing on or after 1 January 2018	The introduction of AASB 9 is not expected to have a significant impact on the operations of the Group when implemented.
AASB 15 – Revenue from Contracts with Customers	<p>An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.</p>	Annual reporting periods beginning on or after 1 January 2018	The impact of this adoption is currently in the process of being assessed by the Group, however the impact has yet to be quantified. The Group will adopt this standard from 1 July 2018.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

<p>AASB 16 (issued February 2016) Leases</p>	<p>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases onto its balance sheet in a similar way to how existing finance leases are treated under AASB 117. An entity will be required to recognise a lease liability and a right of use asset in its balance sheet for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases.</p> <p>Lessor accounting remains largely unchanged from AASB 117.</p>	<p>Annual reporting periods beginning on or after 1 January 2019.</p>	<p>The impact of this adoption is currently in the process of being assessed by the Group, however the impact has yet to be quantified. The Group will adopt this standard from 1 July 2019.</p>
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### **Significant accounting estimates and judgements**

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

#### **Share-based payment transactions**

The cost of share-based payments to employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Refer to Note 24.

#### **Rehabilitation obligations**

The Group estimates its share of the future removal and remediation costs of oil and gas production facilities, wells and pipelines at the time of acquisition or installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of remediation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and asset specific discount rates to determine the present value of these cash flows. For more detail regarding the policy in respect of provision for rehabilitation refer to note 1(h). As at 30 June 2018 rehabilitation obligations have a carrying value of \$320,509 (2017: \$361,342).

#### **Impairment of oil and gas properties**

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimates of the present value of future cash flows using asset-specific discount rates. For oil & gas properties, these estimates are based on assumptions concerning reserves, future production profiles and costs. As at 30 June 2018, the carrying value of oil & gas properties is \$2,307,526 (2017: \$2,736,479). Refer to Note 9 for further details.

#### **Reserves estimates**

Estimation of reported recoverable quantities of Proven and Probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. These factors used to estimate reserves may change from period to period.

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

#### **Depletion and depreciation**

In relation to the depletion, depreciation and amortisation of capitalised expenditure related to producing oil and gas properties, the Group uses a unit of production reserve depletion model to calculate depletion, depreciation and amortisation. This method of depletion, depreciation and amortisation necessitates the estimation of the oil and gas reserves over which the carrying value of the relevant assets will be expensed to the profit or loss. The calculation of oil and gas reserve is complex and requires management to make

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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judgements about commodity prices, future production costs and geological structures. The nature of reserves estimation is such that reserves are not intended to be 100% accurate but rather provide a statistically probable outcome in relation to the economically recoverable reserve. As the actual reserve can only be accurately determined once production has ceased, depletion, depreciation and amortisation expensed during the production may not on a year to year basis accurately reflect the actual percentage of reserve depleted. However, over the entire life of the producing assets all capitalised costs will be expensed to the profit or loss.

### **(b) Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### **(c) Property, Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

#### ***Depreciation***

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The major categories of assets are depreciated as follows:

- Oil and gas properties are amortised over the useful lives of the asset on a unit of production basis once a reserve has been established.
- Motor Vehicles are depreciated based on diminishing value at 22.5%.
- Plant and equipment and drilling parts are depreciated based on diminishing value at 25% to 40%.
- Office equipment is depreciated based on diminishing value at 25% to 40%.
- Currently there are no buildings owned by the Group.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

#### ***Exploration and evaluation expenses***

The Group expenses all exploration and evaluation expenditure as incurred in respect of each identifiable area of interest until a time where an asset is in development.

#### ***Prepaid drilling and completion expenses***

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

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

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

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

#### ***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, development wells and the provisions for restoration.

#### ***Amortisation and depreciation of producing projects***

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

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

### **(e) Financial Instruments**

#### ***Recognition***

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### ***Trade and Other Receivables***

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

### ***Fair value***

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

### ***Impairment***

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. Impairment of receivables is recognised in Statement of profit or loss and other comprehensive income.

#### **(f) Impairment of Assets**

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### **(g) Foreign Currency Transactions and Balances**

##### ***Transaction and balances***

Foreign currency(USD) transactions are translated into functional currency(AUD) using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the in consolidated statement of profit or loss and other comprehensive income.

##### ***Group companies***

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **(h) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable and the amount of the obligation can be reliably estimated.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

#### ***Provision for restoration and rehabilitation***

Provision is made in the statement of financial position for restoration of operating locations. The estimated restoration and rehabilitation costs are initially recognised as part of the capitalised cost of the relevant project which gave rise to the future obligation. During the production phase of the project the capitalised restoration costs is amortised using the units of production method. Any actual costs incurred by the Group are allocated against the provision.

The provision for restoration and rehabilitation are based on the latest estimated future costs, determined on a discounted basis, which are re-assessed regularly and exclude any allowance for potential changes in technology or material changes in legislative requirements.

### **(i) Inventories**

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

### **(j) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### **(k) Revenue Recognition**

Revenue is recognised at the fair value of consideration received or receivable to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.

### **(l) Oil and Gas Sales**

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*(i) Other revenue*

*Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.*

*(ii) Service income*

*Revenue from the provision of services is recognised when an entity has legally enforceable right to receive payment for services rendered.*

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

**(m) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(n) Trade and Other Creditors**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised initially at fair value and subsequently at amortised cost.

**(o) Dividends**

Provision is made for the amount of any dividend declared, determined, or publicly recommended by the Directors on or before the end of the financial year, but not distributed at reporting date.

**(p) Options**

The fair value of options in the shares of the Company issued to Directors and other parties is recognised as an expense in the financial statements in relation to the granting of these options.

**(q) Employee Benefits**

*(iii) Wages, salaries and annual leave*

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(iv) Employee benefits payable later than one year*

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

*(v) Superannuation*

Contributions are made by the Group to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

*(vi) Employee benefit on costs*

Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

*(vii) Options*

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

The fair value at grant rate is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying shares.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **(r) Earnings Per Share**

#### *(i) Basic earnings per share*

Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **(s) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### **(t) Segment reporting**

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

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

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the Statement of Profit or Loss and Other Comprehensive Income, statement of financial position and statement of cash flows. As a result no reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

### **(u) Parent entity financial information**

The financial information for the parent entity, Grand Gulf Energy Ltd, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below.

#### *Investment in subsidiaries, associates and joint venture entities*

Investments in subsidiaries, associated and joint venture entities are accounted for at cost in the financial statements of Grand Gulf Energy Ltd. Dividends received from associated are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### ***Tax consolidation legislation***

Grand Gulf Energy Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Grand Gulf Energy Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Grand Gulf Energy Ltd also recognised the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Grand Gulf Energy Ltd for any current tax payable assumed and are compensated by Grand Gulf Energy Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Grand Gulf Energy Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amount recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligation to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidation entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### ***Financial guarantees***

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment. No such guarantees have been provided at this time.

#### **(v) Contributed Equity**

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

#### **(w) Asset Acquisition not Constituting a business**

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

#### **(x) Assets held for sale**

Non-current assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale the assets are re-measured in accordance with the Consolidated Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, assets are not amortised or depreciated.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. Revenue

	2018	2017
	\$	\$
Sale of oil and gas	3,405,197	3,100,527
Total revenues from ordinary activities	<u>3,405,197</u>	<u>3,100,527</u>

### 3. Profit/ (loss) from operations

#### (a) Other Income

	2018	2017
	\$	\$
Interest received	288	305
Total other income	<u>288</u>	<u>305</u>

#### (b) Expenses

Loss before income tax includes the following specific expenses:

	2018	2017
	\$	\$
<i>Cost of sales</i>		
Operating Costs	734,087	843,017
Royalties	775,540	708,545
Total cost of sales	<u>1,509,627</u>	<u>1,551,562</u>
<i>Depreciation</i>		
Plant and equipment	3,656	5,326
Total depreciation	<u>3,656</u>	<u>5,326</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	119,643	100,187
Total rental expense relating to operating leases	<u>119,643</u>	<u>100,187</u>
<i>Foreign exchange gains and losses</i>		
Net foreign exchange losses/(gains)	<u>-</u>	<u>75</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4. Income tax

#### (a) Income tax expense

	2018	2017
	\$	\$
Current tax	-	-
Deferred tax	-	-
Under (over) provided in prior years	-	-
	<u>-</u>	<u>-</u>

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

	2018	2017
	\$	\$
Profit/(loss) from ordinary activities before income tax expense	(543,093)	(2,223,633)
Prima facie tax benefit on gain from ordinary activities at 27.5% (2017: 27.5%)	149,350	611,499
Adjustment for foreign jurisdiction tax rate differential	(7,167)	53,122
	<u>142,183</u>	<u>664,621</u>
Add tax effect of non-temporary adjustments	7,869	88,308
Tax effect of current year tax losses for which no deferred tax asset has been recognised/(Recoupment of prior period tax losses)	(179,673)	(324,132)
Timing differences previously not recognised	29,621	(428,797)
Income tax expense / (benefit)	<u>-</u>	<u>-</u>

#### (c) Unrecognised temporary differences

	2018	2017
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised – Overseas	10,498,006	10,135,453
Unused tax losses for which no deferred tax asset has been recognised - Australia	3,842,406	3,887,060

The ability of the group to use tax losses in the future is subject to the group entities satisfying the relevant taxation laws applicable at the time of submitting the return.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. Dividends paid or provided for on ordinary shares

No dividend has been declared or paid during the current financial year or the prior financial year. The Group does not have any franking credits available for current or future years as the Group is not in a tax paying position.

### 6. Trade and other receivables

	2018	2017
	\$	\$
<b>Current</b>		
Trade and other receivables (i)	497,449	484,267
Insurance claim receivables	36,240	5,838
	<u>533,689</u>	<u>490,105</u>

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

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

The Group has no impairments to receivables or have receivables that are past due but not impaired.

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

### 7. Asset held for sale

	2018	2017
	\$	\$
Opening Balance	-	-
Transferred from Oil and Gas Properties <sup>(i)</sup>	133,042	-
Transferred from asset retirement obligation	(67,468)	-
	<u>65,574</u>	<u>-</u>

- (i) The Company disposed of its interests in the Abita field post year end for US\$100,000 net cash to the Company.

### 8. Property, Plant and Equipment

	2018	2017
	\$	\$
Plant and equipment		
At cost	20,674	20,616
Accumulated amortisation	(19,133)	(15,449)
	<u>1,541</u>	<u>5,167</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. Oil and Gas Properties

	2018	2017
	\$	\$
Producing oil & gas assets	7,810,341	7,856,278
Provision for impairment and amortisation	(5,502,815)	(5,119,799)
	<u>2,307,526</u>	<u>2,736,479</u>
Capitalised oil and gas properties		
Carrying amount at beginning of period	2,736,479	3,558,649
Expenditure during the year	2,695	151,895
Foreign exchange differences	84,410	(94,716)
Amortisation	(383,016)	(573,202)
Impairment of oil and gas properties	-	(306,147)
Transferred to Asset held for sale	(133,042)	-
Carrying amount at end of year	<u>2,307,526</u>	<u>2,736,479</u>

The Company recorded no impairment of oil and gas properties for the year ended 30 June 2018 (30 June 2017: impairment of \$306,147).

The recoverable amount of Oil and Gas Properties is estimated on the basis of the discounted value of future cash flows (i.e. value in use model). The estimates of future cash flows are based on significant assumptions including:

- Estimates of the quantities of oil and gas reserves for which there is a high degree of confidence of economic extraction and the timing of access to these reserves;
- Future oil and gas prices based on consensus forecasts by economic forecasters; and
- The asset specific discount rate applicable to the cash generating unit.

Future changes in assumptions upon which these estimates are based may give rise to a material adjustment by impairing Oil and Gas Properties.

### 10. Trade and other payables

	2018	2017
	\$	\$
<b>Current</b>		
Trade creditors	128,206	200,370
	<u>128,206</u>	<u>200,370</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. Provisions

	2018	2017
	\$	\$
<b>Non-Current</b>		
Asset retirement obligation	320,509	361,342

#### (a) Reconciliations

Asset retirement obligation		
Carrying amount at beginning of year	361,342	370,381
Additional provisions recognised/recalculated	14,272	(9,039)
Foreign exchange differences	12,363	-
Transferred to asset held for sale	(67,468)	-
Carrying amount at end of year	320,509	361,342

### 12. Contributed equity

#### (a) Issued and paid up share capital

	2018		2017	
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning of the year	767,498,870	42,104,442	747,998,870	42,045,942
Shares issued to Gulf Coast Minerals, LLC	-	-	19,500,000	58,500
	<b>767,498,870</b>	<b>42,104,442</b>	<b>767,498,870</b>	<b>42,104,442</b>

#### (b) Terms and conditions of contributed equity

##### Ordinary shares

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

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

#### (c) Share options

As at 30 June 2018 the Company has on issue 92,000,000 (30 June 2017: 92,000,000) options over unissued ordinary shares. Movement of options during the period are summarised below:

	Exer- cise price	Expiry date	Balance at beginning of year	Issued during the year	Exercised during the year	Cancelled during the year	Balance at end of year
			Number	Number	Number	Number	Number
Unlisted options	\$0.014	30/11/18	27,000,000	-	-	-	27,000,000
Unlisted options	\$0.008	30/06/20	65,000,000	-	-	-	65,000,000
			<b>92,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,000,000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. Reserves

	2018	2017
	\$	\$
Foreign currency translation (a)	2,471,814	2,311,880
Share option reserve (b)	2,016,337	2,016,337
Option premium reserve (c)	676,800	676,800
	<u>5,164,951</u>	<u>5,005,017</u>

#### (a) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

	2018	2017
	\$	\$
Balance at beginning of year	2,311,880	2,411,279
Gain on translation of foreign controlled entities	159,934	(99,399)
Balance at end of year	<u>2,471,814</u>	<u>2,311,880</u>

#### (b) Share option reserve

The share option reserve is used to recognise the value of options issued to employees, Directors, consultants, and external finance companies.

	2018	2017
	\$	\$
Balance at beginning of year	2,016,337	1,748,209
Share based payment expense	-	268,128
Balance at end of year	<u>2,016,337</u>	<u>2,016,337</u>

#### (c) Option premium reserve

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

	2018	2017
	\$	\$
Balance at beginning of year	676,800	676,800
Balance at end of year	<u>676,800</u>	<u>676,800</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14. Accumulated losses

	2018	2017
	\$	\$
Balance at beginning of year	(42,580,019)	(40,356,386)
Net profit/(loss) attributable to members of the Company	(543,093)	(2,223,633)
Balance at end of year	(43,123,112)	(42,580,019)

### 15. Notes to the statement of cash flows

#### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2018	2017
	\$	\$
Cash on hand	1,686,664	1,859,399

The Group's exposure to interest rate risk is discussed in note 23. The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

#### (b) Reconciliation of profit after related income tax to net cash outflows from operating activities

	2018	2017
	\$	\$
Profit/(loss) for the year	(543,093)	(2,223,633)
Depreciation	3,656	5,326
Impairment and write-off of oil and gas assets	-	306,147
Amortisation	383,016	573,202
Share based payments	-	268,128
Exploration expenditure	-	58,500
Exchange rate differences on assets/liabilities held in foreign currencies	-	75
<b>Changes in net assets and liabilities</b>		
(Increase)/decrease in assets:		
Trade and other receivables	(15,869)	232,491
(Decrease) in liabilities:		
Trade and other creditors	(62,837)	(322,256)
Net cash (outflows) from operating activities	(235,127)	(1,102,020)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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### **16. Expenditure commitments**

#### **Lease commitments**

There were no commitments as at 30 June 2018

### **17. Non-cash investing and financing activities**

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

There were no other non-cash investing or financing activities during the period.

### **18. Contingent liabilities**

The Group had no current contingent liabilities as at 30 June 2018 other than as stated below.

#### **Napoleonville Well control**

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

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

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

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

The Company has some minimal remediation remaining at the site where the blowout occurred. The vast majority of the affected lands have been handed back and are presently being farmed. The JV continues to be liable for ongoing salinity testing on the blowout location and remediation mostly around the blow out location. Whilst the insurance for the Company's initial 40% WI in the blowout will terminate following the reimbursement of the latest claims (including the recovery of the class action litigation noted above) the Company will continue to be insured for the recent acquisition of Birdwood's 15% WI exposure. The potential ongoing cost to the Company is expected to be no more than US\$250,000. Based on current and future cashflows expected, the Board does not consider this potential outflow to have a material adverse effect on the company.

### **19. Events occurring after reporting date**

During August 2018 the company disposed of its interests in the Abita field post year end for US\$100,000 net cash to the Company.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. Earnings per share

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

Basic/diluted earnings/(loss) per share

	2018	2017
	\$	\$
Profit/(loss) used in calculating basic gain per share	(543,093)	(2,223,633)
Weighted average number of ordinary shares used in calculating basic earnings per share	767,498,870	767,498,870
Basic/Diluted earnings/(loss) per share (cents per share)	(0.071)	(0.297)

### 21. Auditor's remuneration

	2018	2017
	\$	\$
Audit and review of financial reports	44,164	52,424
	44,164	52,424

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

### 22. Segment information

#### Operating segments

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

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

### 23. Financial instruments

#### FINANCIAL RISK MANAGEMENT

The Group's policies with regard to financial risk management are clearly defined and consistently applied. They are a fundamental part of the Group's long term strategy covering areas such as foreign exchange risk, interest rate risk, commodity price risk, credit risk and liquidity risk and capital management. The natural hedges provided by the relationship between commodity prices and the US currency reduces the necessity for using derivatives or other forms of hedging. The Group does not issue derivative financial instruments, nor does it believe that it has exposure to such trading or speculative holdings through its investments in wholly owned subsidiaries. Risk management is carried out by the Board as a whole, which provides written principles for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and liquidity risk. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Market Risk

#### (i) Foreign exchange risk

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

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

#### (ii) Commodity price risk

Due to the nature of the Group's principal operations being oil & gas exploration and production the Group is exposed to the fluctuations in the price of oil & gas. Although the Group is economically exposed to commodity price risk of the abovementioned inputs, this is not a recognised market risk under the accounting standards as the risk is embedded within normal purchase and sales and are therefore not financial instruments.

#### (iii) Interest rate risk

Interest rate risk relates to the statement of financial position values of the consolidated cash at bank at June 2018 and June 2017.

#### (iv) Credit risk

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

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

	CARRYING AMOUNT	
	2018	2017
	\$	\$
Cash and cash equivalents	1,686,664	1,859,399
Trade and other receivables	497,449	484,267
Insurance claim	36,240	5,838

#### (v) Capital Risk and Liquidity Risk Management

The Group's total capital is defined as shareholder's funds, plus net debt and amounted to \$4,146,281 at 30 June 2018 (2017: \$4,529,440). The Group's overriding objectives when managing capital are to safeguard the business as a going concern; to maximise returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate credit facility. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

### Financing Arrangements

The Group did not have access to the borrowing facilities during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Maturities of financial liabilities

The tables below analyse the Group's financial liabilities and relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

At 30 June 2018	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
<b>Non-derivatives</b>							
Trade creditors	128,206	-	-	-	-	128,206	128,206
<b>Total</b>	<b>128,206</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,206</b>	<b>128,206</b>

At 30 June 2017	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
<b>Non-derivatives</b>							
Trade creditors	200,370	-	-	-	-	200,370	200,370
<b>Total</b>	<b>200,370</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,370</b>	<b>200,370</b>

### 24. Share Based Payments

#### (a) Employee Option Plan

The Grand Gulf Energy Limited Employee Option Plan was approved at the general meeting held on 26 June 2007. Options which are granted under the plan and under the discretion of the board to executives and consultants of the Company are for no consideration. Options granted under the plan carry no dividend or voting rights and have varied contractual lives.

#### Grand Gulf Energy Limited – 2018

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
20 Nov 14	30 Nov 18	\$0.014	27,000,000	-	-	27,000,000	27,000,000
7 Dec 16	30 Jun 20	\$0.008	65,000,000	-	-	65,000,000	65,000,000
<b>Total</b>			<b>92,000,000</b>	<b>-</b>	<b>-</b>	<b>92,000,000</b>	<b>92,000,000</b>
Weighted Average Exercise price			1.4c	1.8c		1.68c	

#### Grand Gulf Energy Limited – 2017

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Cancelled during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
20 Nov 14	30 Nov 18	\$0.014	27,000,000	-	-	27,000,000	27,000,000
7 Dec 16	30 Jun 20	\$0.008	-	65,000,000	-	65,000,000	65,000,000
<b>Total</b>			<b>27,000,000</b>	<b>65,000,000</b>	<b>-</b>	<b>92,000,000</b>	<b>92,000,000</b>
Weighted Average Exercise price			1.4c	1.8c		1.68c	

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Fair value of options granted

The Company has an established Employee Share Option Plan ("Plan") that allows executives and consultants to participate in Share Option allocations as determined by the Board from time to time. Details of the Employee Share Option Plan are disclosed in the Remuneration Report for the year ended 30 June 2018. During the year ended 30 June 2017, 65,000,000 incentive options were granted to directors and consultants and approved by shareholders at the AGM on 30 November 2016. The purpose of the grant is for the Company to retain their high calibre services and to provide cost effective remuneration to these directors and consultants for their ongoing commitment and contribution to the Company. On 30 November 2016 shareholders approved the issue of Share Options to non-executive Directors, executive Directors and the Company's consultants. The terms and conditions of the grants made during the year ended 30 June 2017 are as follows:

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

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

(ii) the options were vested immediately

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

Fair value of options granted is as follows:

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

### (c) Expenses arising from share-based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2018	2017
	\$	\$
Options issued to consultants*	-	43,312
Options issued to Directors**	-	224,817
	-	<u>268,128</u>

\*The expense of \$3,312 in 2017 was related to the fair value of the 11,000,000 options issued to consultants and finance providers during 2014. These options were valued at a total of \$27,533 and the total balance has been expensed over the vesting period. On 7 December 2016 10,000,000 options were issued to consultants and finance providers, these options were valued at a total of \$40,000. These options vested immediately. The purpose of the grant is for the Company to retain their high calibre services and to provide cost effective remuneration to these consultants for their ongoing commitment and contribution to the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

\*\* The expense of \$4,817 in 2017 was related to the fair value of the 16,000,000 options issued to consultants and finance providers during 2014. These options were valued at a total of \$40,048 and the total balance has been expensed over the vesting period. On 7 December 2016 65,000,000 options were issued to Directors, these options were valued at a total of \$220,000. These options vested immediately.

### 25. Parent Entity Financial Information

#### Summary financial information

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

	2018 \$	2017 \$
<b>Statement of Financial Position</b>		
Current assets	149,295	1,534,835
Non-current assets	3,395,003	2,719,557
Total assets	<u>3,544,298</u>	<u>4,254,392</u>
Total liabilities	<u>53,911</u>	<u>84,901</u>
Net assets	3,490,387	4,169,491
<i>Shareholders' equity</i>		
Issued capital	42,104,442	42,104,442
Reserves	2,693,135	2,693,135
Accumulated losses	<u>(41,307,190)</u>	<u>(40,628,086)</u>
	<u>3,490,387</u>	<u>4,169,491</u>
<b>Loss for the year</b>	<b><u>(679,104)</u></b>	<b><u>(2,363,274)</u></b>

#### (i) Contingent Liabilities and Commitments

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

### 26. Related Party Transactions

#### (i) Parent entity

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

#### (ii) Subsidiaries

Interests in subsidiaries are set out below.

#### (iii) Investments in controlled entities

The consolidated entity financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### *Investments in controlled entities held by Grand Gulf Energy Limited*

	Country of incorporation	2018	2017
		%	%
Grand Gulf Operating Inc*	USA	-	100
Alto Energy Limited	Australia	100	100
GG Oil & Gas 1, INC	USA	100	100
GG Oil & Gas 2, INC	USA	100	100
GG Oil & Gas, INC	USA	100	100
Birdwood Louisiana LLC	USA	100	100

\* Previously named Golden Fleece Petroleum Inc, and was closed during the year.

### *Investments in controlled entities held by Alto Energy Limited*

	Country of incorporation	2018	2017
		%	%
Grand Gulf Energy Inc	USA	100	100

### (iii) Key management personnel compensation

	2018	2017
	\$	\$
Short-term employee benefits	474,800	480,000
Share-based payments	-	224,817
	<u>474,800</u>	<u>704,817</u>

Detailed remuneration disclosures are provided in the Remuneration Report on pages 15-19

### (iv) Other transactions with key management personnel

There were no other transactions with key management personnel

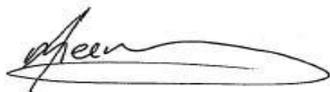
## DIRECTORS' DECLARATION

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### Directors' Declaration

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows and consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the consolidated financial position as at 30 June 2018 and of its performance for the year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The Directors have been given the declarations by the chief executive officer and chief financial officer required by s295A.
4. Note 1(a) confirms that the financial standards also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board

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



Mr Mark Freeman  
Director

Perth, 20 September 2018

## INDEPENDENT AUDITOR'S REPORT

To the members of Grand Gulf Energy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Grand Gulf Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Recoverability of oil and gas properties

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Group's carrying value of oil and gas properties as disclosed in Note 9 is a key audit matter as the assessment of carrying value requires management to exercise judgement in identifying indicators of impairment for the purposes of determining whether the assets need to be tested for impairment.</p>	<p>We evaluated management's assessment of impairment indicators at 30 June 2018 in accordance with AASB 136: Impairment of Assets. Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>• Obtaining and reviewing the reserve report from the management's external expert to determine whether they indicate a significant change that would impact the value of the asset. This included assessing the competency and objectivity of management's expert;</li> <li>• Benchmarking and analysing management's oil and gas price assumptions against external market data, checking the reasonableness of the discount rate used to determine whether they indicate a significant change that would impact the value of the asset;</li> <li>• Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value;</li> <li>• Considering whether there were any other facts and circumstances that existed to indicate impairment testing was required; and</li> <li>• Assessing the adequacy of the related disclosures in Note 9 to the financial statements.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



#### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

#### Report on the Remuneration Report

##### Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 15 to 19 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Grand Gulf Energy Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

##### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink that reads 'BDO' above 'J Prue'.

Jarrad Prue

Director

Perth, 20 September 2018

## **Grand Gulf Energy's Board and Corporate Governance**

### **Introduction**

Since the introduction of the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines" or "the Recommendations"), Grand Gulf Energy Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the Company, the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.grandgulfenergy.net](http://www.grandgulfenergy.net). In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Board Charter;
- Code of Conduct;
- Communications Strategy Policy;
- Continuous Disclosure Policy;
- Securities Trading Policy;
- Risk Policy;
- Remuneration Policy; and
- Remuneration Committee Charter.

### **Explanation for Departures from Best Practice Recommendations**

During the Company's 2014 financial year the Company has complied with the Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("Corporate Governance Principles and Recommendations") and has adopted the revised Principles and Recommendations taking effect from reporting periods beginning on or after 1 January 2008. Significant policies and details of any significant deviations from the principles are specified below.

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

##### **The Role of the Board and the Board Charter**

###### *The Board's Duties*

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

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

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

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

### ***Corporate Governance Council Recommendation 2 Structure the Board to Add Value***

#### **The Composition of Grand Gulf Energy's Board**

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least 3 directors;
- the Board should comprise directors with an appropriate range of qualifications and expertise; and
- the Board shall meet regularly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

As at the date of this report, the Board comprises an executive chairperson, two executive directors and one non-executive director. Details of the Directors are set out in the Directors' Report.

#### *Independence of Directors*

The Board has reviewed the position and associations of each of the four Directors in office at the date of this report and considers that one of the directors is independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Best Practice Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

The Board considers that Mr Keenihan meets the criteria in Principle 2. He has no material business or contractual relationship with the Company, other than as a director and no conflicts of interest which could interfere with the exercise of independent judgement.

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

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

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

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

#### **Independent Chairman**

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

#### **Roles of Chairman and Chief Executive Officer**

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

#### **Nomination and Appointment of New Directors**

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

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

### **Grand Gulf Energy's Board Meetings**

The Board met 3 times between 1 July 2017 and 30 June 2018.

The Board meets formally at least 4 times each year, and from time to time meetings are convened outside the scheduled dates to consider issues of importance.

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

### **Performance Review**

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

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

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

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

### **Board Members' Rights to Independent Advice**

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

### **Education**

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

### ***Corporate Governance Council Recommendation 3 Promote Ethical and Responsible Decision Making***

The Board actively promotes ethical and responsible decision making.

### **Code of Conduct**

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

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

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

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

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

### **Diversity Policy**

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

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

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

### **Gender Diversity**

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

Women Employees, Executives and Board Members

The Company and its consolidated entities have two (2) female employees/executives:

Its financial controller; and  
its office manager;

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

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

### **Securities Trading by Grand Gulf Energy Directors and Employees**

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

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

### **Corporate Governance Council Recommendation 4** **Safeguarding Integrity in Financial Reporting**

#### **Financial Reporting**

Consistent with ASX Principle 4.1, the Company's financial report preparation and approval process for the financial year ended 30 June 2018 involved both the Executive Director and the Company Secretary providing detailed representations to the Board covering:

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

#### *Audit and Compliance Committee*

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

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

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

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

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

### ***Corporate Governance Council Recommendation 5*** **Make Timely and balanced disclosure**

#### **Continuous Disclosure**

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

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

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

### ***Corporate Governance Council Recommendation 6*** **Respect the Rights of Shareholders**

#### **Shareholder Communications**

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

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

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

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

### ***Corporate Governance Council Recommendation 7*** **Recognise and manage risk**

#### **Risk Identification and Management**

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

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

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

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

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

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- Business risk management

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

- Internal controls

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

- Financial reporting

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

- Operations review

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

- Environment and safety

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

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

### **Risk Reporting**

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

The Company does not have an internal audit function.

### **Executive Director and Chief Financial Officer Written Statement**

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

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

### **Corporate Governance Council Recommendation 8 Remunerate Fairly and Responsibly**

#### **Remuneration for directors and executives**

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

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

## **CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

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

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

### **Distinguish Between Executive and Non-Executive Remuneration**

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

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

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

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

### *Remuneration Committee*

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

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

The Board ensures that all matters of remuneration are in accordance with Corporations Act requirements, by ensuring that none of the Directors participates in any deliberations regarding their own remuneration or related issues.

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

## ASX INFORMATION

### FOR THE YEAR ENDED 30 JUNE 2018

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#### 1. Statement of issued capital

- a) Distribution of fully paid ordinary shares as at 18 September 2018

Size of Holding			Number of Shareholders	Shares Held
1	-	1,000	65	6,510
1,001	-	5,000	16	51,489
5,001	-	10,000	14	116,150
10,001	-	100,000	209	12,381,757
100,001	and	Over	412	754,942,964
			<hr/>	<hr/>
			716	767,498,870
			<hr/>	<hr/>

- b) There are 302 shareholders holding unmarketable parcels represented by shares.
- c) There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

#### 2. Substantial shareholders

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

Charles Morgan	21.84%
Craig Ian Burton	23.14%

#### 3. Quotation

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

**ASX INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**Top Twenty Shareholders as at 18 September 2018**

The twenty largest shareholders hold 68.53% of the total issued ordinary shares in the Company as at **18 September 2018**.

Name	Number of Shares	% of Issued Shares
CHARLES WAITE MORGAN	167,600,476	21.84
ALBA CAPITAL PTY LTD	109,660,669	14.29
SKYE EQUITY PTY LTD	67,917,114	8.85
SACHA INVESTMENTS PTY LTD	34,598,974	4.51
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	28,431,646	3.70
MR THOMAS ZDUN	18,300,000	2.38
OJVM PTY LTD <MAX JABBA A/C>	10,000,000	1.30
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,610,000	1.25
MR ALEX TAN	9,050,000	1.18
CRAIG BURTON <CI BURTON FAMILY A/C>	8,482,220	1.11
MR RAYMOND JEPP	8,000,000	1.04
MR STUART CHARLES GRACE + MR TRENT CHRISTIAN GARDNER <MEGA SQUARE A/C>	7,800,000	1.04
MR DOUGAL JAMES FERGUSON	7,000,000	0.91
CRIMSON HOLDINGS PTY LTD <CRIMSON HOLDINGS A/C>	6,400,000	0.83
LIFWARD PTY LIMITED	6,047,594	0.79
MR KRISHNA RAVICHANDRAN + MR SRINIVASAN RAVICHANDRAN <LARK SUPER FUND A/C>	6,000,000	0.78
KANGSAV PTY LIMITED	5,716,768	0.74
DR HUA YI LI + MRS MEI LUN LIN	5,332,000	0.69
MR RAYMOND PHILIP JEPP + MRS KATE MARY SHAW <ORION SUPER FUND A/C>	5,000,000	0.65
MR MICHAEL ANTHONY KENNEDY	5,000,000	0.65
	<b>525,947,461</b>	<b>68.53</b>