GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

INTERIM REPORT

FOR THE HALF YEAR ENDED

31 December 2012

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONTENTS

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2012.

DIRECTORS

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

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

Principal activity

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

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

Results and review of operations

The Loss of the consolidated entity for the financial period after provision for income tax was $1,069,620 (profit 2011: $4,256,668).

Cash assets at 31 December 2012 of $1,265,061 decreased from $3,816,412 as at 30 June 2012, after operations.

Deferred exploration assets as at 31 December 2012 of $12,254,721 (30 June 2012: $10,548,865). Oil and Gas Properties as at 31 December 2012 of $1,529,972 (30 June 2012: $1,982,351).

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

Production

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

	Jun Qtr	Sep Qtr	Dec Qtr
Oil (bbls)	12,062	10,960	7,775
Gas (mcf)	48,249	25,364	13,544
% Oil Equ.	89%	94%	95%

Development

Napoleonville- Dugas & Leblanc #3 Well, Non Operator 39.4% WI

The D&L#3 "M" sand was successfully perforated and placed on production on 18 October 2011. To 31 December 2012 the well has produced 116,457 bbls oil, 344,500 mcf gas and 5,896 bbls water through a 10/64 inch choke. Monthly revenue net to the Company is ~ US$140,000 after royalties and operating costs. The Company has estimated the potential remaining reserves in this well to be 210,000 bbls oil and 610,000 mcf gas.

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

Abita Update

Abita, Plaquemines Parish, Louisiana, Non Operator 20%WI (15% after payout), 350-700,000 BBLS / 6 BCFG

Clayton Williams Energy Inc (NASDAQ: CWEI), the operator has advised that the Abita well continues to produce at ~1.3 mmcfd and 30 barrels of condensate per day with flowing tubing pressure of 2,650 psi. The Abita well was placed on production on 22 January 2013 in the 19 sand. The Company anticipates an increase in liquids as the gas draws down.

Desiree Discovery
Desiree, Assumption Parish, Louisiana, Non Operator 35.6% WI, 952 MBBL/0.4 BCFG

The Desiree Prospect was drilled by Hensarling #1 well which reached a total depth of 12,455ft (TVD) in mid December 2012. Electric logging operations confirmed net pay of 31ft of pay in the Cris R II and 49ft in the Cris R III sands (total net pay of 80ft).

The Desiree accumulation covers an area of approximately 140 acres in Assumption Parish, Louisiana and is being operated by a private US oil and gas company. The operator is the same partner that is managing the Napoleonville Salt Dome project.
Gross, post-drill reserves are estimated to be 952,000 bbls oil and 0.4 BCFG in the Cris R II & III representing a substantial and significant discovery for the Company.

The well has been completed and is ready for testing following completion of unitization. The unitization process is expected to be completed in May 2013.

Partners in the Hensarling #1 well:

Grand Gulf Energy Ltd (ASX: GGE)	35.6% WI
Golden Gate Petroleum Ltd (ASX: GGP)	3.9% WI
Other Partners et al	60.5% WI

West Klondike Discovery
West Klondike, Iberville Parish, Louisiana, Non Operator 10.5% WI 103-570,000 bbls/.4-1.4 BCF

The West Klondike prospect was drilled by the Wilberts Sons LLC #1 well which reached a total depth of 10,900ft(TVD) in early December 2012 with electric logging operations confirming net pay of 4ft in the Lario sands, 6ft of net pay in the U Nod Blan and 35ft of net pay in the L Nod Blan sands.

The well has been completed and testing is anticipated to commence in March 2013. The Klondike field to the immediate east produced 3.8 MMBO and 54 BCFG from the Lario sand.

A summary of the reservoirs characteristics is provided below:

Depths	Sand	Net Pay	Hydrocarbons	Description	contingent resource estimates
10,330-10,350	Lario	4ft	Oil	18-20% porosity appears tight	100,000-520,000 bbls oil
10,518 – 10,524	U Nod Blan	6ft	Condensate/gas	Good porosity	3-10,000 bbls oil / 100-135 mmcfd
10,616-10,661	L Nod Blan	35ft	Oil/gas	Good porosity	10-40,000 bbls oil / .35-1.3 BCF gas

Further analysis of the geology indicates that all objectives in well were tested.

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

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

The ASX participants in the West Klondike Prospect are as below:

Grand Gulf Energy Ltd (ASX: GGE)	10.5% WI
Tamaska Oil & Gas Ltd (ASX: TMK)	10.2% WI
Other Partners et al	79.3% WI

EXPLORATION

Napoleonville Project Restructure

The Company revised the terms of its farmout during the half year. Grand Gulf has increased its working interest in all future Napoleonville projects from 17.5% to 21.9%. As part of this new arrangement the Company will only be liable for 17.5% of drilling costs on the next two wells(but with WI of 21.9%).

Napoleonville, 21.9%WI
Louise, Assumption Parish, LA, 21.9%

The Louise Prospect is a well designed to capture undrained Cris R IV oil. This well will be drilled to a total depth of 11,900ft TVD. The Company's net share of dry hole costs is estimated at ~US$620,000. The Primary objective is the Cris R IV which has the potential for 600,000 bbls of oil and secondary objectives in the Marg A Strat Sand and secondary Cris R sands. The prospect was generated from 3D seismic and subsurface support for updip attic structure. The well is in a proven fault block which has produced 2.3 MMBO / 10.5 BCF. Proposed location is 380ft updip to Cris R IV oil production in a water drive reservoir. If successful, the project offers long life reserves, with IP's of 400 bbls per day and will have a substantial positive cash flow and reserve impact on the Company. The operator is looking to spud the well in second half of 2013.

Seismic Reprocessing for Deep Prospects

Reprocessing of the time seismic data has been finalized and depth modelling (PSDM) has commenced. This requires building an accurate edge of salt model. Upon finalization of the depth model, several prospects are anticipated including high potential deeper plays.

Port Hudson

Port Hudson, E. Baton Rouge, Louisiana, Non Operator, 15% WI

Port Hudson well reached its total depth of 10,500ft and electric logs were run. Unfortunately, whilst the well identified pay, the Company has determined there was insufficient commercial grounds to warrant participation in completing the well.

S Welsh

S Welsh, Jeff Davis Parish, Louisiana, Non Operator, 10.5% WI

The Calloway #1 was drilled during the quarter but developed drilling complications due to a significant influx of gas into the wellbore. The well was subsequently P&A'd. A subsequent geological and geophysical review of the well and prospect information shows there is insufficient potential to warrant a retesting of the structure.

AGM RESULTS

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

Subsequent Events

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

1. The Abita well was placed on production in the 19 sand in January 2013. The well is presently producing 40 bbls of condensate and 2 mmcf gas per day.
2. The Company received partial insurance payments of US$221,559 towards its outstanding insurance claim receivable in respect of the D&L blowout.
3. The Port Hudson well reached its TD of 10,500ft and electric logs were run subsequent to 31 December 2012. Whilst the well identified pay the Company has determined there to be insufficient commercial grounds to warrant participation in completing the well.
4. The Calloway #1 was drilled during the half year but developed drilling complications due to a significant influx of gas into the wellbore. The well was subsequently P&A'd. Subsequent to year end further geological and geophysical review of the prospect has determined there to be insufficient commercial grounds to warrant a retesting of the structure.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 of the financial statements for the half year ended 31 December 2012.

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

Dated this 14th March 2013

Mark Freeman
Executive Director

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Subiaco, WA 6008
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Australia

14 March 2013

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

Dear Sirs,

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

As lead auditor for the review of Grand Gulf Energy Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

Phillip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated Entity	
		31 December 2012 $	31 December 2011 $
Revenue		1,967,789	972,306
Cost of sales		(1,065,062)	(423,422)
Gross profit		902,727	548,884
(Loss)/Gain on sale of assets	2	-	5,536,797
Other income		1,121	14,393
Interest income		1,568	4,587
Employee benefits expense		(448,813)	(357,755)
Professional and statutory fees		(86,259)	(99,859)
Corporate office expenses		(74,444)	(65,223)
Impairment of capitalised oil and gas expenditure	5a	(1,301,763)	(1,174,409)
Foreign exchange loss		(51,122)	(109,656)
Other expenses from ordinary activities		(611)	(20,849)
Borrowing expenses		(11,786)	(18,440)
Depreciation		(238)	(511)
(Loss) / Profit before income tax		(1,069,620)	4,256,668
Income tax benefit/(expense)		-	-
(Loss) / Profit for the half year		(1,069,620)	4,256,668
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign entities		(287,402)	769,198
Total comprehensive income for the half year		(1,357,022)	5,025,866
		Cents	**Cents**
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share		(0.04)	0.10

The Consolidated Statement of Profit and Loss and other Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 12 to 15.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	Consolidated Entity	
		31 December 2012	30 June 2012
		$	$
ASSETS			
Current Assets			
Cash and cash equivalents		1,265,061	3,816,422
Trade and other receivables		1,018,031	1,371,985
Insurance claim receivable	6	782,474	971,214
Other assets		181,163	-
Total Current Assets		3,246,729	6,159,621
Non-Current Assets			
Exploration expenditure	5a	12,254,721	10,548,865
Oil & gas properties	5b	1,529,972	1,982,351
Total Non-Current Assets		13,784,693	12,531,216
Total Assets		17,031,422	18,690,837
LIABILITIES			
Current Liabilities			
Trade and other payables		1,158,898	1,537,665
Provisions		-	79,146
Total Current Liabilities		1,158,898	1,616,811
Non-Current Liabilities			
Provisions		159,952	53,048
Total Non-Current Liabilities		159,952	53,048
Total Liabilities		1,318,850	1,669,859
Net Assets		15,712,572	17,020,978
Equity			
Contributed Equity	3	42,046,977	42,046,977
Reserves	4	1,198,106	1,436,892
Accumulated losses		(27,532,511)	(26,462,890)
Total Equity		15,712,572	17,020,978

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 12 to 15.

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Contributed Equity	Share Option Reserve	Option Premium Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 01.07.2012	42,046,977	1,538,770	676,800	(778,678)	(26,462,890)	17,020,978
Loss for the half year	-	-	-	-	(1,069,621)	(1,069,620)
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	(287,402)	-	(287,402)
Total comprehensive income for the half year	-	-	-	(287,402)	(1,069,621)	(1,357,022)
Transactions with owners in their capacity as owners:						
Shares Issued	-	-	-	-	-	-
Share Options	-	-	48,613	-	-	48,613
Balance at 31.12.12	**42,046,977**	**1,538,770**	**725,413**	**(1,066,080)**	**(27,532,511)**	**15,712,572**
Balance at 01.07.2011	39,678,355	1,465,796	676,800	(1,508,655)	(29,380,676)	10,931,620
Profit for the half year	-	-	-	-	4,256,668	4,256,668
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	769,198	-	769,198
Total comprehensive income for the half year	-	-	-	769,198	4,256,668	5,025,866
Transactions with owners in their capacity as owners:						
Shares Issued	2,372,273	-	-	-	-	2,372,273
Share Options	-	25,149	-	-	-	25,149
Balance at 31.12.11	**42,050,628**	**1,490,945**	**676,800**	**(739,457)**	**(25,124,008)**	**18,354,908**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out in pages 12 to 15.

GRAND GULF ENERGY LIMITED
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CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

	Consolidated Entity	
	31 December 2012 $	31 December 2011 $
Cash Flows From Operating Activities		
Proceeds from sales	2,100,032	399,921
Payments to suppliers and employees	(334,088)	(446,984)
Interest received	1,568	4,577
Payment for Production	(353,481)	-
Payments for Development	(663,439)	-
Insurance payment	(136,542)	395,000
Interest and other costs of finance paid	-	(18,000)
Net cash inflow from operating activities	614,050	334,514
Cash Flows From Investing Activities		
Proceeds on disposal of non current assets	-	7,310,235
Payments for exploration and development	(3,006,968)	(3,830,701)
Payment for Acquisition of projects	(92,766)	-
Net cash inflow/(outflow) from investing activities	(3,099,734)	3,479,534
Cash Flows From Financing Activities		
Proceeds from loans	-	1,050,000
Repayment of loans	-	(1,764,000)
Proceeds from the issue of share capital and options	-	2,496,016
Capital raising costs	-	(123,743)
Net cash inflow from financing activities	-	1,658,273
Net decrease/(increase) in cash held	(2,485,684)	5,472,321
Cash and cash equivalents held at beginning of financial period	3,816,421	501,647
Effect of exchange rate changes on cash and cash equivalents	(65,676)	(20,298)
Cash and cash equivalents at end of the half year	1,265,061	5,953,670

The Consolidated Cash Flow Statement is to be read in conjunction with the notes to the financial statements set out on pages 12 to 15.

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

(a) Reporting entity

Grand Gulf Energy Limited (the "Company") is a Company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half year ended 31 December 2012 comprise the Company and its controlled entities (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 30 June 2012 are available upon request from the Company's registered office at Ground Floor, 1292 Hay Street, West Perth, WA, 6005 or at www.grandgulfenergy.com

(b) Statement of Compliance

These consolidated interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2012.

These consolidated interim financial statements were approved by the Board of Directors on 14 March 2013.

(c) Basis of Preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's 2012 annual financial report for the financial year ended 30 June 2012. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New accounting standards and interpretations

In the half-year ended 31 December 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(d) Operating Segments

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

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required, because the information as presented is used by the Board to make strategic decisions.

2. SALE OF ASSETS

	Consolidated	
	2012	**2011**
	$	**$**
Sale proceeds	-	7,310,235
Cost of asset	-	(1,773,438)
Gain on Sale of Assets	-	5,536,797

3. CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	31 December 2012 No.	30 June 2012 No.	**31 December 2012 $**	30 June 2012 $
Balance brought forward at the beginning of the period	**3,739,993,494**	3,116,692,495	**42,046,977**	39,678,355
Opening balance adjustment	**-**	-	**-**	-
Shares issued during the period:				
Equity issues for cash	**-**	623,300,999	**-**	2,496,014
Costs of issue	**-**	-	**-**	(127,392)
Balance carried forward at the end of the period	**3,739,993,494**	3,739,993,494	**42,046,977**	42,046,977

4. RESERVES

Share Option Reserve
During the period an amount of $48,613 (30 June 2012: $72,974) was recognised as an expense and corresponding movement in equity in respect of the fair value of options issued in prior periods as equity based compensation.

5a. OIL AND GAS EXPLORATION EXPENDITURES

	Consolidated	
	31 December 2012 $	**30 June 2012 $**
Capitalised oil and gas expenditure	25,898,205	23,130,400
Provision for impairment	(13,643,484)	(12,581,535)
	12,254,721	10,548,865

Capitalised oil and gas expenditure		
Carrying amount at beginning of period	10,548,865	11,638,652
Expenditure during the period	3,127,618	5,512,778
Disposals	(110,660)	(1,671,598)
Acquisitions	92,805	165,750
Foreign exchange difference	(209,948)	421,787
Transfer to oil and gas properties	-	(1,971,699)
*Impairment of capitalised expenditure	(1,193,959)	(3,546,805)
Carrying amount at end of period	12,254,721	10,548,865

The Impairment relates primarily to the writeoff of drilling costs associated with Austin Bayou, S Welsh, Port Hudson, and Leduc Reef.

5b. OIL & GAS PROPERTIES

Development oil & gas assets	2,373,935	2,398,292
Accumulated Amortisation	(843,963)	(415,941)
	1,529,972	1,982,351
Capitalised oil and gas properties		
Carrying amount at beginning of period	1,982,351	-
Expenditure during the period	16,324	343,077
Foreign exchange difference	(40,680)	83,516
Amortisation	(428,023)	(415,941)
Transfer from exploration expenditure	-	1,971,699
Carrying amount at end of period	1,529,972	1,982,351

During the period, expenditure on development was $16,324

6. NAPOLEONVILLE WELL CONTROL AND CONTINGENCIES

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

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

The Company confirms the Operator's insurance has paid out a total of US$11,000,000, whilst the Company's insurance has paid out ~US$3,761,674. The costs as at 31 December 2012 in excess of this to the Company's account were USD$811,502, subsequent to year end the Company received an additional payment of US$221,559. The balance of US$589,943 is expected to be covered by the Company's umbrella policy.

A class action was filed in the U.S. against the Operator of the #1 Well in State Court for damages by certain residents of the Napoleonville area.

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

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

On 11 January 2012, Grand Gulf Energy Inc, together with a number of partners, sought damages from Lexington, the control of well insurer, in respect of non payment of care custody and control costs in relation to the blowout. Lexington has settled this action.

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

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

Apart from the potential contingent liability noted above, there are no further contingent assets or liabilities existing at 31 December 2012.

7. EVENTS SUBSEQUENT TO REPORTING DATE

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

1. The Abita well was placed on production in the 19 sand in January 2013. The well is presently producing 40 bbls of condensate and 2 mmcf gas per day.
2. The Company received partial insurance payments of US$221,559 towards its outstanding insurance claim receivable in respect of the D&L blowout.
3. The Port Hudson well reached its TD of 10,500ft and electric logs were run subsequent to 31 December 2012. Whilst the well identified pay the Company has determined there to be insufficient commercial grounds to warrant participation in completing the well.
4. The Calloway #1 was drilled during the half year but developed drilling complications due to a significant influx of gas into the wellbore. The well was subsequently P&A'd. Subsequent to year end further geological and geophysical review of the prospect has determined there to be insufficient commercial grounds to warrant a retesting of the structure.

8. SEGMENT REPORTING

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

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

9. DIVIDENDS

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

DIRECTORS' DECLARATION

The directors of the consolidated entity declare that:

1. The financial statements and notes, as set out on pages 8 to 16 are in accordance with the Corporations Act 2001:

    a. give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

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

2. In the directors' opinion there are reasonable grounds to believe that Grand Gulf Energy Limited will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Mark Freeman
Executive Director

Perth, 14th March 2013

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF GRAND GULF ENERGY LIMITED.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Grand Gulf Energy Limited, which comprises the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Grand Gulf Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Grand Gulf Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

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

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch
Director

Perth, Western Australia
Date this the 14th day of March 2013