



Grand Gulf Energy Limited

ABN 22 073 653 175

Annual Report

for the financial year ended

30 June 2020

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CORPORATE DIRECTORY
FOR THE YEAR ENDED 30 JUNE 2020

DIRECTORS

Mr Craig Burton – Chairman
Mr Mark Freeman - Executive Director
Mr Chris Bath – Non-Executive Director

COMPANY SECRETARY

Mr Mark Freeman

REGISTERED AND PRINCIPAL OFFICE

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ASX CODE

GGE

ABN

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OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 30 JUNE 2020

Summary Overview

Grand Gulf Energy Limited ("Grand Gulf"/the "Company") has concluded the 2020 financial year ("FY20" or "the year"). This marks the 10th successive year in a row that the Company has not required any equity or debt funding.

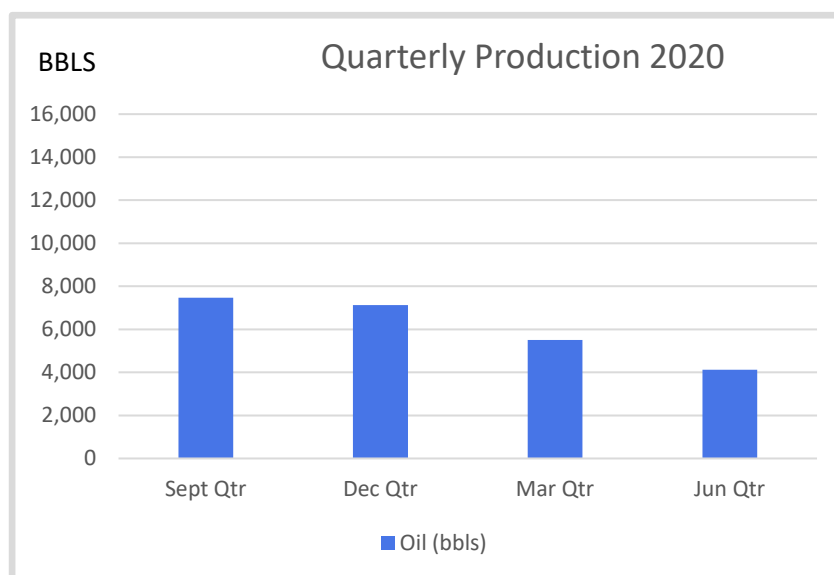
Grand Gulf continues to have a sound financial position with no debt, and solid production that generated gross revenues of over AUD \$1.6m pa after royalties.

Business Strategies and Projects

Existing Oil and Gas Fields

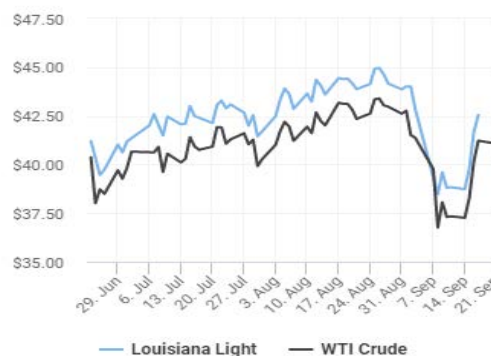
Fields	WI	Daily (bbl/d)	Monthly Net Rev (AUD\$)	Years of Reserves Left (2P) *	2P Reserves
Desiree	39.65%	75	\$42,500	4.41 yrs	116,000
D&L	55.50%	75	\$31,200	2.5 yrs	66,000
Total			\$73,700		182,000

* 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.



US Oil Price & Production Commentary

The Company receives Louisiana Light (LLS) () pricing per barrel which is trading at US\$42/bbl (\$A59.08/bbl) as at 21 September 2020. The graph below shows the relative trading of WTI vs LLS with LLS typically trading at a slight premium to WTI. Grand Gulf trading contracts are based on monthly average prices. We have seen a strong recovery since last quarter's negative pricing. WTI's floor of \$40/bbl has proved resilient amid improving demand.



From last November to May 2020, US oil production fell by 1.5 MM b/d to 11.4 MMb/d as operators reduced Drilling and Completion operations amid oil price uncertainty and a price shock, according to the EIA. The agency forecasts that US output will continue to decline to 10.6 MMb/d by March 2021, before increasing for the remainder of 2021. Operators have announced significant curtailments in May and June as producers grapple with US\$40/bbl pricing, driven by coronavirus-related demand destruction

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 30 JUNE 2020

US operators are spending significantly less in 2020. Compared to 2019, capex by core North American operators is expected to be down by US\$43.2 billion in 2020, or 42%, at US\$58.6 billion. The most dramatic cuts have come from multi-basin operators. The recent price drop has greatly reduced completion activity, which is leading to a Drilled Uncompleted (DUC) build-ups. As of May 2020, the number of frac crews operating was below 50, and their activity was being outpaced by the less than 400 drilling rigs operating in the US. Completion efficiencies are about 3.3 wells monthly per crew, while rigs are drilling 1.25 wells apiece per month. Therefore, the US needs about 150 crews at these rig levels to keep DUCs flat. US DUCs accumulated since YE19 could reach 3,500 by late 2020. Additionally from March 2020 through May 2020, the rig count fell by 670, or 66%.

Reserves

FILED (LICENCE)	NET REV INTEREST	PROVED (1P)			PROVED + PROBABLE (2P)			PROVED, PROBABLE, POSSIBLE (3P)		
		LIQUIDS MBBL	GAS MMCF	OIL EQUIV ⁽¹⁾ MBOE	LIQUIDS MBBL	GAS MMCF	OIL EQUIV ⁽¹⁾ MBOE	LIQUIDS MBBL	GAS MMCF	OIL EQUIV ⁽¹⁾ MBOE
Reserves										
USA										
Dugas & Leblanc #3	43.20%	22	238	62	27	238	66	38	238	77
Desiree	30.96%	50	-	50	116	-	116	132	-	132
Total Reserves		72	238	112	143	238	182	170	238	209
CONTINGENT RESOURCES										
		1C			2C			3C		
Reserves										
USA										
Dugas & Leblanc #3	43.20%	-	216	36	-	324	54	-	648	108
Desiree	30.96%	-	-	-	-	-	-	-	-	-
Total Contingent Resources		-	216	36	-	324	54	-	648	108
Total Reserves and Resources		72	454	148	143	562	236	170	886	317

(1) Oil equivalent conversion factor: 6MSCF per BBL

Competent Persons Statement

The information in this report has been reviewed and signed off by Kevin Kenning (Registered Reservoir Engineer) with over 38 years 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.

Desiree Field

Desiree, Assumption Parish, Louisiana, Non-Operator (39.65% WI - 30.96% NRI)

The Hensarling #1 well (Desiree Field) produced a total for the quarter of 2,673 barrels of oil. The well averaged 63 b/d. The well has produced 612,706 barrels of oil to 30 June 2020.

On 20 May 2020 the well was shut in with a suspected hole in the tubing. Repairs were completed in July 2020 and the well was placed back on production on 24 July 2020.

The well continues to produce from the Cris R3 sands. Following depletion of the Cris R3 the well will be perforated in the Cris R2. Desiree has 3P reserves net to the Company effective 30 June 2020 of 132,000 barrels of oil.

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

Dugas & Leblanc Field

Dugas & Leblanc #3 Well, Assumption Parish, Louisiana, Non-Operator (55.5% WI – 43.20% NRI)

The D&L#3 well (Dugas & Leblanc Field) produced a total for the quarter of 7,375 barrels of oil. The well is presently producing at 82 b/d and has produced over 343,304 barrels of oil.

The D&L #3 well continues to outperform previous reserve estimates. Dugas & Leblanc has 3P reserves net to the Company effective 30 June 2020 of 77,000 barrels of oil equivalent.

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 30 JUNE 2020

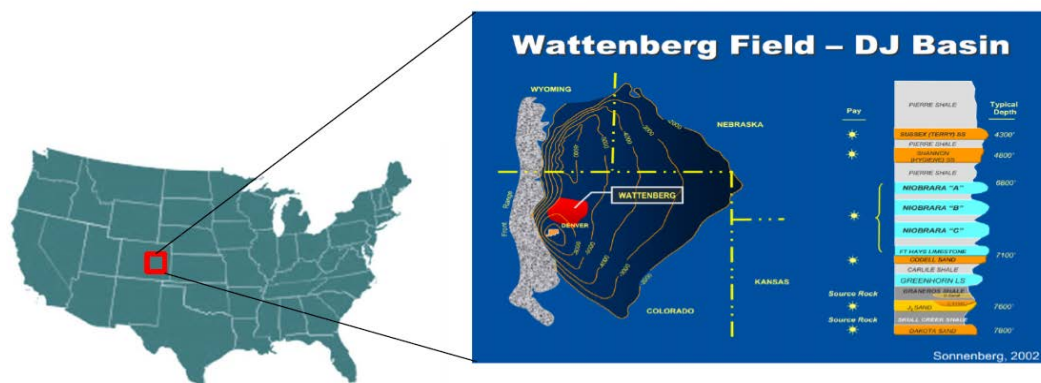
EXPLORATION AND DEVELOPMENT

DJ Basin, Colorado (66% WI*) – 355 net acres

The Company has ~66% working interests in 355 net acres in Weld County.

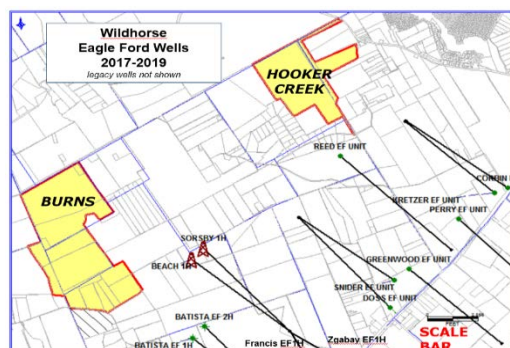
The Company was notified in May 2020 by Bayswater Exploration and Production of their intention to permit two wells to drill within the Company's leases. The Company is working with the operator to determine its working interests in the proposed wells.

On 20 July 2020 Chevron Corporation announced it would acquire Noble Energy for US\$5 billion. Grand Gulf has a variety of working interests in leases shared with Noble Energy. Noble Energy's Wells Ranch Comprehensive Drilling Plan was approved by the Colorado Oil and Gas Conservation Commission (COGCC). The Company has yet to be notified of Nobles' future drilling programs along with its respective interests.



East Texas Prospect (40-50% WI) – 1,238 acres in the Eagle Ford

The Company owns a 40-50% interest in 1,238 net acres of 1,319 gross acres in Burleson County, Texas. The Company continues to pursue farm-down/sale opportunities.



Financial Performance

Grand Gulf Energy recorded a statutory profit after tax of \$324,514 for the financial year which compares with the loss after tax of \$188,496 recorded in the 2019 financial year.

Financial Performance		FY20	FY19	Change	%
Sales revenue	\$	1,604,778	2,403,597	(798,819)	-33%
Cost of Sales	\$	(569,401)	(696,856)	127,455	-18%
Gross Profit (before amortisation)	\$	1,035,377	1,706,741	(671,364)	-39%
Gross Profit/Sales Revenue	%	65%	71%	84%	
Amortisation		(197,172)	(237,783)	40,611	-17%
Gross Profit	\$	838,205	1,468,958	(630,753)	-43%
Operating Cash Flow	\$	877,481	256,653	726,002	283%
Reported gain/(loss)	\$	324,514	(188,496)	513,010	-272%
Underlying Ebitdae* (Non – IFRS)	\$	587,762	866,463	(278,701)	-32%

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

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 was \$587,762 compared with an underlying EBITDAE (Non-IFRS) of \$866,463 for the year ended 30 June 2019. The most significant factor which contributed to the movement between the periods was the lower sales revenue (a decrease of \$798,820 from 30 June 2019) as a result of lower oil prices.

Financial Position

Financial Position		FY20	FY19	Change	%
Total Assets	\$	3,244,769	2,862,549	382,220	13%
Total Liabilities	\$	429,482	414,571	14,911	4%
Total Equity	\$	2,815,287	2,447,978	367,309	15%

Cash & cash equivalents

At 30 June 2020 the Company had cash of \$1,035,406.

Outlook

Grand Gulf Energy anticipates net production after royalties of approximately 23,701 bbl's oil from its operations in FY 2021. The Company continues to manage general and administration costs tightly.

The new management remuneration along with ongoing cost cutting has resulted in an annual reductions in total operating costs of ~\$327,000. The total operating costs of the Company (excluding cost of sales and amortisation) has been reduced to \$432,912 (2019: 760,649).

Funding and Capital Management

Grand Gulf 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.

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 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 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 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>

OPERATING AND FINANCIAL REVIEW
FOR THE YEAR ENDED 30 JUNE 2020

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 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 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 operates in a highly regulated environment. Grand Gulf 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 the USA or internationally may impact the Company's operations.</p> <p>Grand Gulf 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.</p>
4	Market	<p>The oil 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 monitors developments and changes in the international oil 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.</p> <p>Grand Gulf 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. The Company has no hedging in place at present.</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's business, results of operations and financial condition.</p> <p>To the extent that it is reasonable to do so, Grand Gulf mitigates the risk of loss associated with operating events through insurance contracts. Grand Gulf 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 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,</p>

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OPERATING AND FINANCIAL REVIEW
FOR THE YEAR ENDED 30 JUNE 2020

		<p>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 altering its plans which could have a positive or negative effect on Grand Gulf'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'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 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>
10	Funding	<p>Grand Gulf must undertake significant capital expenditures in order to conduct 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'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 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 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 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 recognises restoration provisions after the construction of facilities 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>

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DIRECTOR'S STATUTORY REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 (referred to hereafter as the group).

REVIEW AND RESULTS OF OPERATIONS

For the financial year ended 30 June 2020, the gain attributable to members of the Group is \$324,514 (2019: loss \$188,496).

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>Mr Craig Burton Executive Chairman Appointed 5 March 2019</p>	<p>Experience and Expertise Mr Burton is an experienced investor in emerging companies, projects and businesses. He has a track record of providing financial backing and strategic advice to successful technical teams and business managers. He is an active investor in the oil and gas sector with an in-house technical and project generation team.</p> <p>Responsibilities Mr Burton is Chairman of the Board of Directors. Mr Burton is responsible for guiding Company strategy and for reviewing and providing guidance on finance, corporate, acquisition, exploration and production activities.</p> <p>Former and current directorships in last 3 years Mr Burton is currently Chairman of Cradle Resources Limited and a Non-executive Director of the Mader Group, Director of MPS Engineering and FeCon Limited. In the past three years Mr Burton has been a Non-Executive Director of Capital Drilling Limited (resigned 31 August 2018).</p>
<p>Mr Mark Freeman B.com, CA, F.Fin Executive Director – Appointed 27 October 2010 and Company Secretary - Appointed 22 April 2010</p>	<p>Experience and Expertise Mr Freeman is a Chartered Accountant and has more than 21 years' experience in corporate finance and the resources industry. He has experience in project acquisitions and management, strategic planning, business development, M&A, asset commercialisation, and project development. Prior experience with Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources Ltd and Matra Petroleum Plc.</p> <p>Responsibilities Mr Freeman is responsible for strategy, finance, corporate, acquisition, exploration and production activities and the day to day management of Grand Gulf Energy.</p> <p>Former and current directorships in last 3 years Mr Freeman is currently a Director of Pursuit Minerals Limited and a former director of Frontier Diamonds Limited (resigned 11 June 2020) and</p>
<p>Mr Chris Bath CA, MAICD Non- Executive Director Appointed 5 March 2019</p>	<p>Experience and Expertise Mr Bath is a Chartered Accountant with significant experience in the energy and resource sectors in both Australia and Asia. Previous positions include CFO and General Manager for Tap Oil Limited, CFO for Oilex Limited and prior to that CFO for Buru Energy Limited.</p> <p>Former and current directorships in last 3 years Mr Bath is currently a director of Cradle Resources Limited.</p>

DIRECTOR'S STATUTORY REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 the consolidated cash position was \$1,035,406 (2019: \$162,391).

EVENTS SINCE THE END OF FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 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

During the period there were no specific changes to the state of affairs.

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 (2019: 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.

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 (2019: nil listed options) and nil unlisted options (2019: 32,500,000). Refer to note 11c 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.

DIRECTOR'S STATUTORY REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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/Date of Appointment	Other *	Other changes during the year/Resignation	Balance at the date of report
Mr C I Burton	200,311,736	(100,155,867)	-	100,155,869
Mr M Freeman	-	-	-	-
Mr C Bath	-	-	-	-
Total	200,311,736	(100,155,867)	-	100,155,869

* Consolidation of shares 2:1 completed 10 December 2019

Options

Holder	Balance at beginning of year/Date of Appointment	Other *	Expired	Balance as at date of report	Vested and exercisable
Mr C I Burton	10,000,000	(5,000,000)	(5,000,000)	-	-
Mr M Freeman	20,000,000	(10,000,000)	(10,000,000)	-	-
Mr C Bath	-	-	-	-	-
Total	30,000,000	(15,000,000)	(15,000,000)	-	-

* Consolidation of options 2:1 completed 10 December 2019

REMUNERATION REPORT (Audited)

Details of key management personnel

Mr C I Burton – Chairman
Mr M Freeman – Executive Director
Mr C Bath – Non-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. 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.

DIRECTOR'S STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2020

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:

	2020	2019	2018	2017	2016
Restated profit / (loss) for the year	324,514	(188,496)	(543,093)	(2,223,633)	(560,508)
Restated basic earnings/(loss) per share (cents per share)*	0.042	(0.050)	(0.142)	(0.594)	(0.150)
Dividend payments	-	-	-	-	-
Dividend payment ratio (%)	-	-	-	-	-
Increase/(decrease) in share price (%)	50%	50%	Nil	(33%)	(17%)

* EPS comparative have been updated to be consistent with the share consolidation.

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

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.

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.

DIRECTOR'S STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

Voting and comments made at the Company's 2019 Annual General Meeting

GGE received more than 99.9% of "yes" votes (excluding director's votes) on its remuneration report for the 2019 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 I Burton	Commencing 5 March 2019	\$30,000	Nil
Mr M Freeman	Commencing 30 June 2019	\$120,000	3 months base salary
Mr C Bath	Commencing 5 March 2019	\$30,000	Nil

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 2020 includes the following Directors and executives:

- Mr C I Burton (Executive Chairman)
- Mr M Freeman (Executive Director)
- Mr C Bath (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 11 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:

2020

	Short term benefits		Post-employment	Equity		Total
	Salary and fees	Bonus	Super-annuation	Options	Shares	
	\$	\$	\$	\$	\$	\$
<i>Directors</i>						
Mr CI Burton	30,000	-	-	-	-	30,000
Mr C Bath	30,000	-	-	-	-	30,000
Mr M Freeman	120,000	-	-	-	-	120,000
Total	180,000	-	-	-	-	180,000

DIRECTOR'S STATUTORY REPORT
FOR THE YEAR ENDED 30 JUNE 2020

2019

	Short term benefits		Post-employment	Equity		Total
	Salary and fees	Bonus	Super-annuation	Options	Shares	
	\$	\$	\$	\$	\$	\$
<i>Directors</i>						
Mr CI Burton	10,000	-	-	-	-	10,000
Mr C Bath	10,000	-	-	-	-	10,000
Mr C Morgan	64,774	-	-	-	-	64,774
Mr S Keenihan	39,733	-	-	-	-	39,733
Mr A Boss	146,820	-	-	-	-	146,820
Mr M Freeman	200,012	-	-	-	-	200,012
Total	471,339	-	-	-	-	471,339

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 2020	Balance at start of the year/Date of appointment	Other *	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.
Directors & KMP						
Mr C I Burton	10,000,000	(5,000,000)	(5,000,000)	-	-	-
Mr M Freeman	20,000,000	(10,000,000)	(10,000,000)	-	-	-
Mr C Bath	-	-	-	-	-	-
Total	30,000,000	(15,000,000)	(15,000,000)	-	-	-

* Consolidation of options 2:1 completed 10 December 2019

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 2020	Balance at start of the year/Date of appointment	Received during the year on exercise of options	Other *	Balance at end of the year
	No.	No.	No.	No.
Directors & KMP				
Mr CI Burton	200,311,736	-	(100,155,867)	100,155,869*
Mr M Freeman	-	-	-	-
Mr C Bath	-	-	-	-
Total	200,311,736	-	(100,155,867)	100,155,869

* Consolidation of shares 2:1 completed 10 December 2019

This the end of the audited remuneration report.

DIRECTOR'S STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2020

Shares issued on the exercise of options

There were no ordinary shares of Grand Gulf Energy Limited issued during the year ended 30 June 2020 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 I Burton	2	2
Mr M Freeman	2	2
Mr C Bath	2	2

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 25 September 2020, and signed in accordance with a resolution of the Directors.



Mr Mark Freeman
Managing Director

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF GRAND GULF ENERGY LIMITED

As lead auditor of Grand Gulf Energy Limited for the year ended 30 June 2020, 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.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 25 September 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

		2020	2019
	Notes	\$	\$
Revenue from continuing operations	2	1,604,778	2,403,597
Other income	3(a)	28,128	629
Government Grant		10,000	-
Cost of sales	3(b)	(569,401)	(696,856)
Amortisation of oil and gas properties	8	(197,172)	(237,783)
Interest income		38	32
Profit/(loss) on investment	4	-	(195,000)
Sale of Asset	3(a)	-	71,876
Corporate office expenses	3(b)	(46,918)	(92,241)
Employee benefits expense		(280,383)	(437,870)
Exploration and evaluation expenditure		(65,446)	(836,237)
Foreign exchange		(32)	(15,780)
Professional and statutory fees		(115,649)	(127,779)
Depreciation		(636)	(971)
Other expenses		-	(24,114)
Profit/(loss) before income tax		367,307	(188,496)
Income tax (expense)/ benefit	5	(42,793)	-
Net profit/(loss) after income tax		324,514	(188,496)
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation		42,795	217,065
Total comprehensive profit for the year		367,309	28,569
Earnings/(loss) per share for the year Attributable to the members of Grand Gulf Energy Ltd			
Basic earnings/(loss) per share (cents per share)	19	0.042	(0.050)
Diluted earnings/(loss) per share (cents per share)	19	0.042	(0.050)

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 2020

		2020	2019
	Notes	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	14(a)	1,035,406	162,391
Trade and other receivables	7	99,199	419,024
Other assets	7	37,876	36,535
Investment		-	28,127
Total Current Assets		<u>1,172,481</u>	<u>646,077</u>
Non-Current Assets			
Investment		2	2
Property plant & equipment		-	636
Oil & gas properties	8	2,072,286	2,215,834
Total Non-Current Assets		<u>2,072,288</u>	<u>2,216,472</u>
Total Assets		<u>3,244,769</u>	<u>2,862,549</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	9	134,150	125,445
Total Current Liabilities		<u>134,150</u>	<u>125,445</u>
Non-Current Liabilities			
Restoration provision	10	295,332	289,126
Total Non-Current Liabilities		<u>295,332</u>	<u>289,126</u>
Total Liabilities		<u>429,482</u>	<u>414,571</u>
Net Assets		<u>2,815,287</u>	<u>2,447,978</u>
EQUITY			
Contributed equity	11	40,377,570	40,377,570
Reserves	12	5,424,811	5,382,016
Accumulated losses	13	(42,987,094)	(43,311,608)
Total Equity		<u>2,815,287</u>	<u>2,447,978</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 2020

	Contributed Equity	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2019	40,377,570	2,688,879	2,016,337	676,800	(43,311,608)	2,447,978
Profit attributable to members of the parent entity	-	-	-	-	324,514	324,514
Foreign currency translation adjustment	-	42,795	-	-	-	42,795
Total comprehensive income for the year	-	42,795	-	-	324,514	367,309
Transactions with owners in their capacity of owners						
In-specie distribution	-	-	-	-	-	-
Shares issued, net of issue costs	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-
Balance at 30 June 2020	40,377,570	2,731,674	2,016,337	676,800	(42,987,094)	2,815,287
Balance at 1 July 2018	42,104,442	2,471,814	2,016,337	676,800	(43,123,112)	4,146,281
Loss attributable to members of the parent entity	-	-	-	-	(188,496)	(188,496)
Foreign currency translation adjustment	-	217,065	-	-	-	217,065
Total comprehensive income/(loss) for the year	-	217,065	-	-	(188,496)	28,569
Transactions with owners in their capacity of owners						
In-specie distribution	(1,726,872)	-	-	-	-	(1,726,872)
Shares issued, net of issue costs	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-
Balance at 30 June 2019	40,377,570	2,688,879	2,016,337	676,800	(43,311,608)	2,447,978

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 2020

		2020	2019
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers		2,426,832	2,933,824
Payments to suppliers and employees		(369,602)	(504,972)
Interest received		39	378
Government grant		10,000	-
Other Payments Received		-	256
Production costs		(1,095,329)	(1,230,274)
Tax		(42,793)	-
Payments for exploration and evaluation		(51,666)	(942,558)
Net cash inflow from operating activities	14(b)	<u>877,481</u>	<u>256,653</u>
Cash flows from investing activities			
Proceeds from sale of oil & gas properties		-	138,101
Payments for development of oil & gas properties		-	(14,874)
Purchase of Whitebark Shares		-	(1,950,000)
Net cash (outflows) from investing activities		<u>-</u>	<u>(1,826,773)</u>
Net increase in cash and cash equivalents		877,481	(1,570,120)
Cash and cash equivalents at the beginning of the financial year		<u>162,391</u>	<u>1,686,664</u>
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		(4,466)	45,847
Cash and cash equivalents at the end of the financial year	14 (a)	<u>1,035,406</u>	<u>162,391</u>

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 2020 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 25 September 2020.

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

A number of new or amended standards became applicable for the current reporting period and the Company had to change its accounting policies as a result of the adoption of the following standards:

- **AASB 16 Leases**

The consolidated entity has adopted all of the new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117.

However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Impact of adoption

This standard has not had any impact on the amounts presented in the Group's financial statements as the Group does not have any leases.

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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 2020 rehabilitation obligations have a carrying value of \$295,332 (2019: \$289,126).

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 2020, the carrying value of oil & gas properties is \$2,072,286 (2019: \$2,215,834). Refer to Note 8 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 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.

Coronavirus (Covid-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Classification and measurement

Except for certain trade receivables the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under AASB 9 financial assets are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less Expected Credit Loss. Trade receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The movement in the provision is recognised in profit or loss.

Expected credit losses of financial asset at amortised cost

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The group assesses on a forward looking basis the expected credit losses (ECLs) associated with its debt instruments carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. For trade and other receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience.

(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 presentational 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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) 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.

(j) Revenue Recognition

(i) Oil & Gas Sale

Revenue from the sale of oil/condensate, gas and natural gas liquids produced is recognised when the Consolidated Entity has transferred to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

- 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.
- Revenue is stated net of royalties.

(ii) 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.

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

(k) 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.

(l) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(m) 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.

(n) 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.

(o) Employee Benefits

(i) 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.

(ii) 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.

(iii) Superannuation

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

(iv) 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.

(v) 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 date 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.

(p) 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.

(q) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

(r) 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.

(s) Parent entity financial information

The financial information for the parent entity, Grand Gulf Energy Ltd, disclosed in note 24 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(t) 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.

(i) *In-specie distribution*

The share capital of the Company is reduced by the fair value of the investment that was returned to the shareholders.

(u) 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.

2. Revenue

	2020	2019
	\$	\$
Sale of oil and gas	2,077,372	3,106,464
Royalties	(472,594)	(702,867)
Total revenues from ordinary activities	<u>1,604,778</u>	<u>2,403,597</u>

Revenue is recognised when or as the Group transfers control of goods or services to a customer at the amount to which the Group expects to be entitled.

3. Profit/ (loss) from operations

(a) Other Income

	2020	2019
	\$	\$
Recovery of cost	-	629
Profit on sale of Whitebark Shares	28,128	-
Profit on sale of Abita	-	71,876
Total other income	<u>28,128</u>	<u>72,505</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Expenses

Loss before income tax includes the following specific expenses:

	2020	2019
	\$	\$
<i>Cost of sales</i>		
Operating Costs	569,401	696,856
Total cost of sales	<u>569,401</u>	<u>696,856</u>
<i>Corporate Office Expenses</i>		
Insurance	23,861	15,152
Office Rent	-	23,605
Legal Services	2,139	19,993
Telephones	1,962	4,349
IT Expenses	2,949	3,264
Website	1,411	2,849
Subscriptions	668	2,849
Other	13,928	20,181
Total corporate office expenses	<u>46,918</u>	<u>92,241</u>
<i>Foreign exchange gains and losses</i>		
Net foreign exchange losses/(gains)	<u>-</u>	<u>15,780</u>

4. Loss on investment

	2020	2019
	\$	\$
390,000,000 Whitebark Shares Issued @ \$0.005	-	1,950,000
390,000,000 Whitebark Shares Traded @ \$0.045	-	1,755,000
Loss on Investment	<u>-</u>	<u>195,000</u>

During May 2019 the Company completed the in-specie distribution of \$1.92m (383.75 million shares) in Whitebark Energy Ltd (WBE) to shareholders, which equates to 0.25 cents per GGE share.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income tax

(a) Income tax expense

	2020	2019
	\$	\$
Current tax	42,793	-
Deferred tax	-	-
Under (over) provided in prior years	-	-
	<u>42,793</u>	<u>-</u>

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

	2020	2019
	\$	\$
Profit/(loss) from ordinary activities before income tax expense	367,307	(587,368)
Prima facie tax benefit on gain from ordinary activities at 27.5% (2019: 27.5%)	(101,009)	161,526
Adjustment for foreign jurisdiction tax rate differential	<u>38,713</u>	<u>30,864</u>
	(62,296)	192,390
Add tax effect of non-temporary adjustments	-	7,869
Tax effect of current year tax losses for which no deferred tax asset has been recognised/(Recoupment of prior period tax losses)	(73,263)	(292,105)
Impact of lower future income tax rates	393,267	-
Timing differences previously not recognised	<u>(214,915)</u>	<u>91,846</u>
Income tax expense / (benefit)	<u>42,793</u>	<u>-</u>

The income tax expense in FY2020 relates to tax payable in the USA

(c) Unrecognised temporary differences

	2020	2019
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised – Overseas	8,139,211	9,543,710
Unused tax losses for which no deferred tax asset has been recognised - Australia	3,998,235	4,134,510

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.

6. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Trade and other receivables

	2020	2019
	\$	\$
Current		
Trade and other receivables ⁽ⁱ⁾	99,199	419,024
Insurance claim receivables	37,876	36,535
	<u>137,075</u>	<u>455,559</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 22 for the Group's financial risk management policies. The Group has estimated the expected credit loss to be nil. Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

8. Oil and Gas Properties

	2020	2019
	\$	\$
Producing oil & gas assets	7,956,432	7,956,432
Provision for impairment and amortisation	(5,884,146)	(5,740,598)
	<u>2,072,286</u>	<u>2,215,834</u>
Capitalised oil and gas properties		
Carrying amount at beginning of period	2,215,834	2,307,526
Expenditure during the year	-	14,874
Foreign exchange differences	53,624	131,217
Amortisation	(197,172)	(237,783)
Carrying amount at end of year	<u>2,072,286</u>	<u>2,215,834</u>

The Company recorded no impairment of oil and gas properties for the year ended 30 June 2020 (30 June 2019: impairment of Nil).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Trade and other payables

	2020	2019
	\$	\$
Current		
Trade creditors	134,150	125,445
	<u>134,150</u>	<u>125,445</u>

Risk exposure: Information about the Group's exposure to foreign exchange risk is provided in note 22.

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

10. Provisions

	2020	2019
	\$	\$
Non-Current		
Asset retirement obligation	295,332	289,126
	<u>295,332</u>	<u>289,126</u>

(a) Reconciliations

Asset retirement obligation				
Carrying amount at beginning of year		289,126		320,509
Additional provisions recognised/recalculated		(303)		(3,089)
Foreign exchange differences		6,509		13,815
West Klondike sold		-		(42,109)
Carrying amount at end of year		<u>295,332</u>		<u>289,126</u>

11. Contributed equity

(a) Issued and paid up share capital

	2020		2019	
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning of the year	767,498,870	40,377,570	767,498,870	42,104,442
Capital reduction ⁽ⁱ⁾	-	-	-	(1,726,872)
Consolidation 2:1 ⁽ⁱⁱ⁾	383,749,478	-	-	-
Balance carried forward at the end of the year	383,749,478	40,377,570	767,498,870	40,377,570

(i) Distribution of Whitbark Energy LTD (WBE) shares to shareholder during May 2019.

(ii) On 10 December 2019, the Company's securities were consolidated on the basis that:

- (a) Every two (2) fully paid ordinary shares be consolidated into 1 fully paid ordinary share; and
- (b) Every two (2) share options be consolidated into 1 share option.

Fractional entitlements were rounded down to the nearest whole number. Following consolidation, there were 383,749,478 fully paid ordinary shares on issue at 30 June 2020 (30 June 2019: 767,498,870)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 22 for details of the Group's capital management policy.

(c) Share options

As at 30 June 2020 the Company has on issue nil (30 June 2019: 65,000,000) 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	Expired during the year	Balance at end of year
			Number	Number	Number	Number	Number
Unlisted options	0.65 c	30/06/20	65,000,000	-	-	-	-
Consolidation 2:1			(32,500,000)	-	-	(32,500,000)	-
			32,500,000	-	-	(32,500,000)	-

12. Reserves

	2020	2019
	\$	\$
Foreign currency translation (a)	2,731,674	2,688,879
Share option reserve (b)	2,016,337	2,016,337
Option premium reserve (c)	676,800	676,800
	<u>5,424,811</u>	<u>5,382,016</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.

	2020	2019
	\$	\$
Balance at beginning of year	2,688,879	2,471,814
Gain on translation of foreign controlled entities	42,795	217,065
Balance at end of year	<u>2,731,674</u>	<u>2,688,879</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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.

	2020	2019
	\$	\$
Balance at beginning of year	2,016,337	2,016,337
Share based payment expense	-	-
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.

	2020	2019
	\$	\$
Balance at beginning of year	<u>676,800</u>	<u>676,800</u>
Balance at end of year	<u>676,800</u>	<u>676,800</u>

13. Accumulated losses

	2020	2019
	\$	\$
Balance at beginning of year	(43,311,608)	(43,123,112)
Net profit/(loss) attributable to members of the Company	<u>324,514</u>	<u>(188,496)</u>
Balance at end of year	<u>(42,987,094)</u>	<u>(43,311,608)</u>

14. 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:

	2020	2019
	\$	\$
Cash on hand	<u>1,035,406</u>	<u>162,391</u>

The Group's exposure to interest rate risk is discussed in note 22. The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2020	2019
	\$	\$
Profit/(loss) for the year	324,514	(188,496)
Depreciation	636	971
Amortisation	197,172	237,783
Loss on investment	-	195,000
Profit on investment	(28,128)	-
Tax	42,793	-
Exchange rate differences on assets/liabilities held in foreign currencies	11,964	(64,269)
Changes in net assets and liabilities		
(Increase)/decrease in assets:		
Trade and other receivables	319,825	78,425
(Decrease) in liabilities:		
Trade and other creditors	8,705	(2,761)
Net cash inflows from operating activities	<u>877,481</u>	<u>256,653</u>

15. Expenditure commitments

There were no commitments as at 30 June 2020.

16. 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 23.

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

17. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2020 other than as stated below.

Napoleonville Well control

The JV partners continue to remain obligated to complete the remaining remediation of the land affected by the blowout. As most of the location has been remediated and handed back to the farmer the Company believes that the remaining remediation will be no more than US\$200,000 in respect of the existing 55% WI the Company held. The Company confirms that the blowout insurances will cover ~23% WI of likely remaining remediation costs.

During the 12 months ended 30 June 2020, the Company incurred US\$700 in respect of rehabilitation related costs of which around 5.57% is recoverable from insurers. A refund of ~US\$23,009 was received from costs incurred in 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. Events occurring after reporting date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 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.

19. Profit/Loss 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

	2020	2019
	\$	\$
Profit/(loss) used in calculating basic loss per share	324,514	(188,496)
Weighted average number of ordinary shares used in calculating basic earnings per share	383,749,478	383,749,478
Basic/Diluted earnings/(loss) per share (cents per share)	0.042	(0.050)

20. Auditor's remuneration

	2020	2019
	\$	\$
Audit and review of financial reports	43,212	49,388
	43,212	49,388

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

21. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. 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.

Market Risk

(i) Foreign exchange risk

There is no material 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 30 June 2020 and 30 June 2019.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	
	2020	2019
	\$	\$
Cash and cash equivalents	1,035,406	162,391
Receivables	99,199	419,024
Insurance claim	37,876	36,535

(v) Capital Risk and Liquidity Risk Management

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.

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 2020	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
Financial Liabilities							
Trade creditors	134,150	-	-	-	-	134,150	134,150
Total	134,150	-	-	-	-	134,150	134,150

At 30 June 2019	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
Financial Liabilities							
Trade creditors	125,445	-	-	-	-	125,445	125,445
Total	125,445	-	-	-	-	125,445	125,445

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Share Based Payments

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 – 2020

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
			Number	Number	Number	Number	Number
7 Dec 16	30 Jun 20	\$0.013	32,500,000	-	(32,500,000)	-	-
Total			32,500,000	-	(32,500,000)	-	-
Weighted Average Exercise price			0.13c				

24. Parent Entity Financial Information

(i) Summary financial information

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

	2020	2019
	\$	\$
Statement of Financial Position		
Current assets	49,065	154,166
Non-current assets	548,609	658,270
Total assets	597,674	812,436
Total liabilities	124,631	111,117
Net assets	473,043	701,322
<i>Shareholders' equity</i>		
Issued capital	40,377,570	40,377,569
Reserves	2,693,138	2,693,138
Accumulated losses	(42,597,665)	(42,369,386)
	473,043	701,322
Loss for the year	(228,279)	(1,062,196)

(ii) Contingent Liabilities and Commitments

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

25. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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.

Investments in controlled entities held by Grand Gulf Energy Limited

	Country of incorporation	2020 %	2019 %
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

Investments in controlled entities held by Alto Energy Limited

	Country of incorporation	2020 %	2019 %
Grand Gulf Energy Inc	USA	100	100

(iv) Key management personnel compensation

	2020 \$	2019 \$
Short-term employee benefits	180,000	471,339
Share-based payments	-	-
	<u>180,000</u>	<u>471,339</u>

Detailed remuneration disclosures are provided in the Remuneration Report on pages 10-13.

(v) Other transactions with key management personnel

There were no changes to transactions with key management personnel during the period.

DIRECTORS' DECLARATION

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 2020 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, 25 September 2020

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 2020, 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 2020 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 (including Independence Standards) (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.

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Recoverability of oil and gas properties

Key audit matter	How the matter was addressed in our audit
<p>The Group's carrying value of oil and gas properties as disclosed in Note 8 represents a significant asset to the Group. The Australian Accounting Standards require the Group to assess whether there are any indicators that oil and gas properties may be impaired.</p> <p>The Group concluded there was an impairment indicator as the net assets of the Group exceeded its market capitalisation as at 30 June 2020 and due to the volatility in the oil price during the financial year. Accordingly, the Group was required to estimate the recoverable amount of the assets in accordance with the Australian Accounting Standards from which no impairment was recognised.</p> <p>The assessment of impairment is complex and highly judgemental and it is affected by future performance and market conditions. The key judgements and assumption used in the group's impairment assessment are disclosed in Note 1(a) to the financial report. A reasonable possible change in these key assumptions could impact the recoverable amount. Accordingly, this matter was considered to be a key audit matter.</p>	<p>Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> • Obtaining and reviewing available reserve data from management's external expert to determine whether the data has been correctly included in the impairment model. This included assessing the competency and objectivity of management's expert; • Assessing key inputs used in the value in use calculations including the following: <ul style="list-style-type: none"> ○ Benchmarking and analysing management's oil and gas price assumptions against external market data; and ○ Performing sensitivity analysis on the commodity pricing, key operating costs and discount rates. • Reviewing the Director's minutes and ASX announcements for evidence of consistency of information with management's assessment of the carrying value; and • Assessing the adequacy of the related disclosures in Note 1(a) and Note 8 to the financial statements.

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 2020, 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 in pages 10 to 13 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Grand Gulf Energy Limited, for the year ended 30 June 2020, 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

Dean Just
Director

Perth, 25 September 2020

ASX INFORMATION
FOR THE YEAR ENDED 30 JUNE 2020

1. Statement of issued capital

- a) Distribution of fully paid ordinary shares as at 21 September 2020

Size of Holding			Number of Shareholders	Shares Held
1	-	1,000	74	10,440
1,001	-	5,000	25	81,559
5,001	-	10,000	29	243,258
10,001	-	100,000	313	16,856,552
100,001	and	Over	257	366,557,669
			<u>698</u>	<u>383,749,478</u>

- b) There are 337 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:

Craig Ian Burton	26.10%
Charles Morgan	19.88%

3. Quotation

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

ASX INFORMATION
FOR THE YEAR ENDED 30 JUNE 2020

Top Twenty Shareholders as at 21 September 2020

The twenty largest shareholders hold 71.10% of the total issued ordinary shares in the Company as at 21 September 2020

Name	Number of Shares	% of Issued Shares
CHARLES WAITE MORGAN	76,300,238	19.88
ALBA CAPITAL PTY LTD	54,830,335	14.29
SKYE EQUITY PTY LTD	33,958,557	8.85
SACHA INVESTMENTS PTY LTD	23,999,487	6.25
MR THOMAS ZDUN	19,674,149	5.13
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	13,712,677	3.57
MR BOBBY VINCENT LI	6,666,665	1.74
AUSTRALIAN FINANCE ASSOCIATION PTY LTD	5,000,000	1.3
TELTOO PTY LTD <SOCSIT1 A/C>	4,660,306	1.21
CRAIG BURTON <CI BURTON FAMILY A/C>	4,241,110	1.11
ALBA CAPITAL PTY LTD	3,976,867	1.04
KANGSAV PTY LIMITED	3,570,884	0.93
MR DOUGAL JAMES FERGUSON	3,500,000	0.91
CRIMSON HOLDINGS PTY LTD <CRIMSON HOLDINGS A/C>	3,200,000	0.83
LIFWARD PTY LIMITED	3,023,797	0.79
MR SRINIVASAN RAVICHANDRAN + MRS LATHA RAVICHANDRAN <LARK SUPERANNUATION FD A/C>	3,000,000	0.78
ALITON PTY LTD <BELL FAMILY SUPER FUND A/C>	3,000,000	0.78
MR MICHAEL ANTHONY KENNEDY	2,500,000	0.65
MR DAVID BELL	2,105,000	0.55
MR JOHN ROBERT LOWING	2,000,000	0.52
	272,920,072	72.12