



# Grand Gulf Energy Limited

ABN 22 073 653 175

## Annual Report

for the financial year ended

30 June 2021

For personal use only

## CONTENTS

---

Corporate Directory .....	1
Operating and Financial Review.....	2-13
Directors' Statutory Report .....	14-20
Auditor's Independence Declaration .....	21
Consolidated Financial Statements .....	22-25
Notes to the Consolidated Financial Statements .....	26-43
Directors' Declaration .....	44
Independent Audit Report .....	45-48
Australian Stock Exchange Information .....	49-50

For personal use only

**CORPORATE DIRECTORY**  
**FOR THE YEAR ENDED 30 JUNE 2021**

---

**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**

Grand Gulf Energy Limited  
Suite 4, 246-250 Railway Parade,  
West Leederville WA 6007  
Telephone: +61 (0) 8 6102 4826  
Email: [info@grandgulf.net](mailto:info@grandgulf.net)  
Website: [www.grandgulfenergy.com](http://www.grandgulfenergy.com)

**AUDITORS**

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008  
Telephone: +61 8 6382 4600  
Facsimile: +61 8 6382 4723

**LEGAL ADVISORS**

Steinepreis Paganin  
GPO Box 2799  
PERTH WA 6001  
Telephone: +61 8 9321 4000  
Facsimile: +61 8 9321 4333

**SHARE REGISTRY**

Advanced Share Registry Services  
110 Stirling Hwy  
Nedlands WA 6009  
Australia  
Telephone: +61 8 9389 8033  
Facsimile: +61 8 9262 3723

**BANKERS**

National Australia Bank  
1232 Hay Street  
Perth WA 6005

**ASX CODE**

GGE

**ABN**

22 073 653 175

For personal use only

# OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR ENDED 30 JUNE 2021

### Summary Overview

Grand Gulf Energy Limited (“Grand Gulf”/the “Company”) has concluded the 2021 financial year (“FY21” or “the year”). This marks the 11<sup>th</sup> successive year in a row that the Company has not required any equity or debt funding.

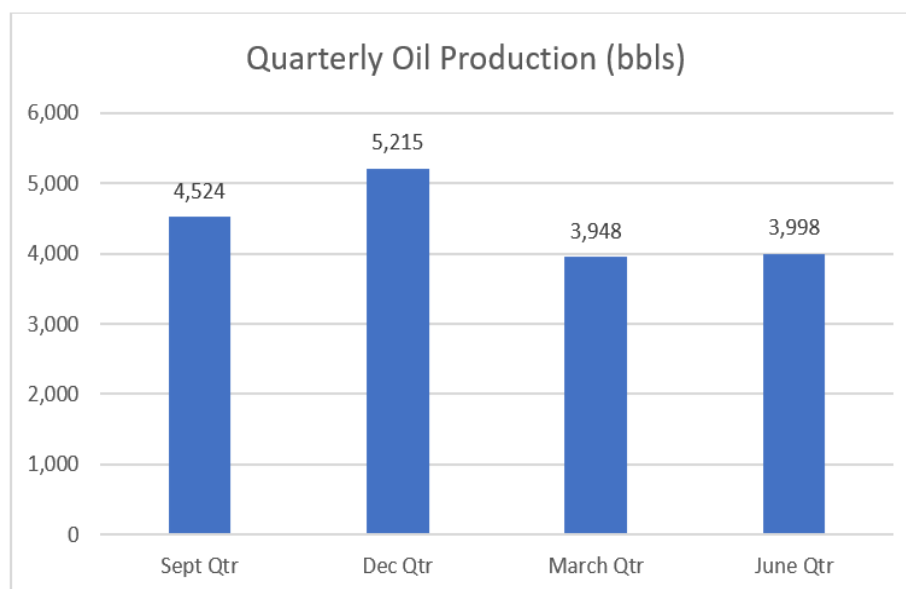
Grand Gulf continues to have a sound financial position with no debt, and solid production that generated gross revenues of over AUD \$1.1m pa after royalties.

### 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

The Company receives LLS (Louisiana Light) pricing per barrel which is currently (at 30 July 2021), US\$72.97 /bbl (\$A99.10/bbl). 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.

**OPERATING AND FINANCIAL REVIEW**  
FOR THE YEAR ENDED 30 JUNE 2021

**Reserves**

<b>2021 Reserves and Resources Summary</b>											
Reserves and Resources as of 30 June 2021											
Net to Grand Gulf Energy Ltd											
FILED (LICENCE)	NET REV INTEREST	PROVED(1P)			PROVED + PROBABLE (2P)			PROVED, PROBABLE, POSSIBLE (3P)			
		LIQUIDS MBBL	GAS MMCF	OIL EQUIV <sup>(1)</sup> MBOE	LIQUIDS MBBL	GAS MMCF	OIL EQUIV <sup>(1)</sup> MBOE	LIQUIDS MBBL	GAS MMCF	OIL EQUIV <sup>(1)</sup> MBOE	
<b>Reserves</b>											
<b>USA</b>											
Dugas & Leblanc #3	47.04%	17	259	60	21	259	64	28	259	71	
Desiree	30.96%	49	-	49	113	-	113	128	-	128	
<b>Total Reserves</b>		<b>66</b>	<b>259</b>	<b>109</b>	<b>134</b>	<b>259</b>	<b>177</b>	<b>156</b>	<b>259</b>	<b>199</b>	
<b>CONTINGENT RESOURCES</b>											
		<b>1C</b>			<b>2C</b>			<b>3C</b>			
<b>Reserves</b>											
<b>USA</b>											
Dugas & Leblanc #3	47.04%	-	235	39	-	353	59	-	706	118	
Desiree	30.96%	-	-	-	-	-	-	-	-	-	
<b>Total Contingent Resources</b>		<b>-</b>	<b>235</b>	<b>39</b>	<b>-</b>	<b>353</b>	<b>59</b>	<b>-</b>	<b>706</b>	<b>118</b>	
<b>Total Reserves and Resources</b>		<b>66</b>	<b>494</b>	<b>148</b>	<b>134</b>	<b>611</b>	<b>236</b>	<b>156</b>	<b>964</b>	<b>317</b>	

(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**

The Hensarling #1 well (Desiree Field) produced a total of 18,690 barrels of oil during the year. The Hensarling #1 has clearly been a very successful well and since commencing production in July 2013 has produced 631,396 barrels of oil to 30 June 2021 from the Cris R III sands.

The well was experiencing production declines inconsistent with its expected decline curve since February 2021. Whilst the well had stabilised around 40 bbls per day, the operator, Viking Energy LLC, has been able to increase production to average ~52 bbls oil per day in August 2021 with production increasing.

The Hensarling well reached a TVD of 12,455ft in mid-December 2012. Electric logging operations confirmed net pay of 31ft in the Cris R II and 49ft in the Cris R III sands. The well is updip and 270ft from the largest producer, Pan American Simoneaux #2 well, in the Napoleonville Field (650,000 BO – Cris R II) which was abandoned at low oil prices with split casing while still producing 100 bbls per day (collectively from Cris R II and III).

In September 2013, the Cris RIII was placed on jet pump and generated production of ~400 bbls per day. The well continued to produce at over 400 bbls/d for over 2 years.

As at 30 June 2021, the 3P reserves attributed to the Cris RII and RIII sands were ~413,436 barrels (~128,000 bbls net to GGE).

## OPERATING AND FINANCIAL REVIEW

### FOR THE YEAR ENDED 30 JUNE 2021

---

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



Hensarling Facilities

#### Dugas & Leblanc Field

##### Dugas & Leblanc #3 Well, Assumption Parish, Louisiana, Non-Operator 61.8% WI

The D&L#3 well (Dugas & Leblanc Field) produced a total of 25,081 barrels of oil during the year. The well has produced 368,408 barrels of oil to 30 June 2021.

The well presently has 3P reserves net to the Company of 71,000 barrels of oil equivalent.

#### EXPLORATION AND DEVELOPMENT

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

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

During the year, Baywater proposed two horizontal wells to be drilled on leases Grand Gulf had a 0.616% interest in. The Company sold the right to drill in these wells to a third party for A\$6,250.

Noble Energy Inc ("Noble") have lodged a Comprehensive Drilling Plan (CDP) over their North Wells Ranch acreage that includes the Company's working interests. Noble's CDP covers a total of 250 additional permits of which around 72 of those permits are anticipated to cover the wells that the Company will have an interest in. It is difficult at this time to determine the exact working interest in these wells, however, it is anticipated that GGE will have an average of 3.3%WI in these wells.

Nobles most recent (2) mile wells at the Kona Pad which are just South of the CPD are estimating EUR's in excess of 2.7mm boe.

However the Company anticipates (1) mile wells to be drilled with EUR's expected to be recover 1.4 mm boe made up of 471,000 bbls of oil, 5.6 bcf gas and 23,600 bbls of natural gas liquids.

Management continue to work with BD groups in Denver to look at actively farming out or selling these interests.

#### Utah Helium Acquisition

On 2 September 2021 the Company announced that it has entered into a binding agreement to acquire 100% of the issued share capital of Kessel Resources Pty Ltd ("Kessel"), a privately held Australian company which holds an interest in the Red Helium Project located in Utah ("the Acquisition"). The successful merger with Kessel will add a significant Helium exploration opportunity to Grand Gulf's existing cash flow positive oil and gas portfolio.

Experienced Kessel oil and gas geologist Keith Martens will join Grand Gulf as CEO and will be working closely with helium specialists and project partners Four Corners Helium.

# OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR ENDED 30 JUNE 2021

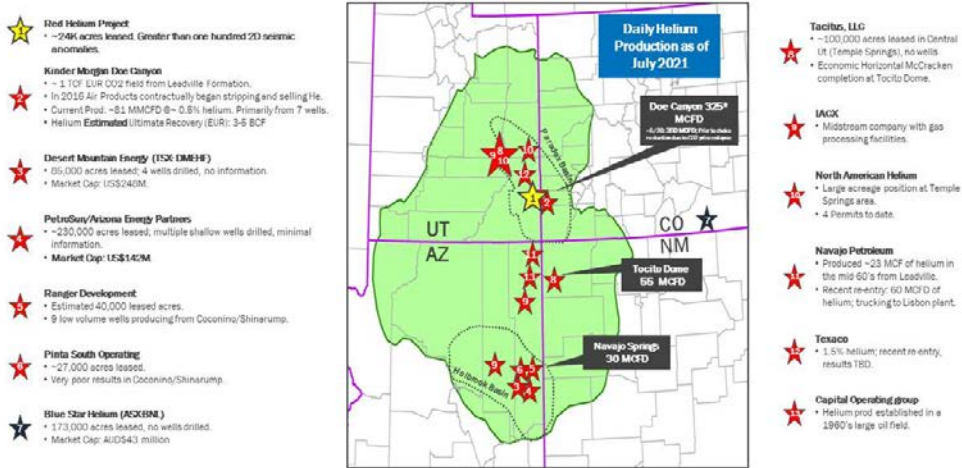


Figure 1: Red Helium Project Location

### Overview of the Red Helium Project

#### Leases

Through incorporated JV company Valence, Kessel and its US partners Four Corners Helium LLC (FCH) and Red Dragon Exploration LLC (RDE) (see below for further information on these partners) control the Red Helium Project which is comprised of a 250,713 acre area of mutual interest (AMI) where Valence has already directly leased 23,600 acres prospective for helium. The Red Helium Project is located in the SE of Utah in the Four Corners area which is often described as the 'Saudi Arabia of helium' given the plethora of producing fields in the area.

Leasing to date has focused on private and Utah state land with state leases issued via an "other business arrangement" (OBA) with the School and Institutional Trust Lands Administration (SITLA). The award of the OBA resulted from Valence successfully demonstrating its helium exploration strategy and technical expertise/experience.

Utah is an excellent operational and commercial environment and the award of the OBA demonstrates Utah's commitment to encourage and support helium exploration and production. Utah is regarded as permitting-friendly in comparison to Bureau of Land Management (BLM) federal land and other states with helium exploration and production.

All leases acquired are 2-year leases with an option to renew for a further 3 years.

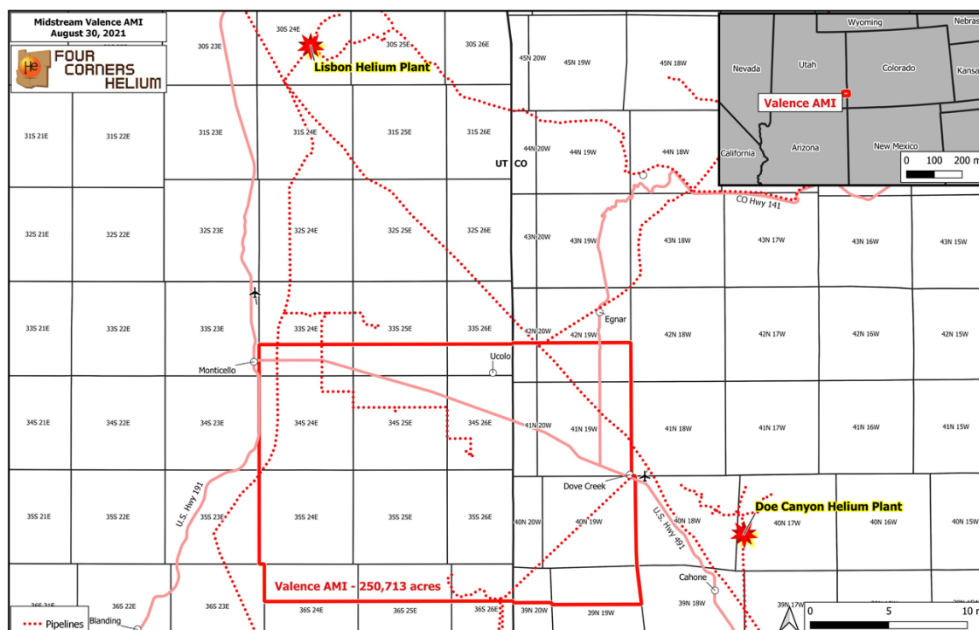


Figure 2: Red Helium Project acreage position and infrastructure



# OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR ENDED 30 JUNE 2021

### Geology and Analogue Fields

The Red Helium Project is located 8 miles west of the large producing Doe Canyon helium field and plant owned by Kinder Morgan with the helium facility run by Air Products Inc (market cap of US\$60 billion<sup>1</sup>). The Red Helium Project shares the same stratigraphy and lithologies as Doe Canyon including:

1. Source rock – Precambrian granite known to be the source of helium in the area.
2. Reservoir – The Leadville limestone/dolomite is the primary reservoir for helium with the McCracken sandstone a viable secondary target for oil and gas.
3. Seal - The 1,200-foot-thick salt layer (Molas formation) is the ideal seal and a vital component of the helium fields in the area.

The Doe Canyon helium field is regarded as an analogue field to the Red Helium Project and currently produces an average flow rate per well of roughly 18 million cubic feet per day (mmcfpd) of raw gas at an average grade of 0.5% helium<sup>2</sup>. Initial production (IP) flow rates from the Doe Canyon wells ranged from 37mmcfpd to 60mmcfpd with one of the wells testing 5% helium. Doe Canyon has an estimated ultimate recovery (EUR) of 3 – 5 billion cubic feet<sup>3</sup> of helium. Current helium pricing is approximately US\$280/mcf<sup>4</sup> (refer Appendix B).

These large flow rates are crucial to the highly commercial nature of Doe Canyon and are a function of the total depth of the Leadville Formation reservoir (approximately 10,000 feet as evident on seismic) and the impermeable salt seal.

20 miles to the north of the Red Helium Project is the Lisbon helium field and processing plant. The Lisbon gas processing facility is comprised of a 60 mmcfpd treating plant with a 45 mmcfpd cryogenic plant<sup>5</sup>. The Lisbon plant is connected by pipeline to the Red Helium Project.

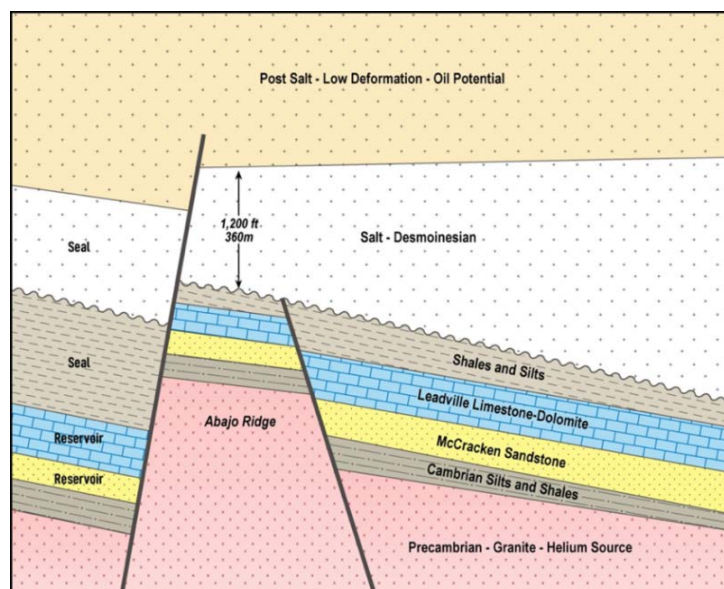


Figure 3: Red Helium Project Stratigraphy – Proven Helium Trap and Seal

### Well Control and Seismic

Approximately 190 km's of 2D seismic has been acquired and reprocessed which has identified a host of helium leads and drill targets.

Old historic wells within and proximal to the AMI contain up to 0.4% helium in drill stem tests (DST) however it is well known that helium capture (gas storage vessels were unsuitable for helium containment) and testing was substandard in the 1950s and 1960s and in many cases led to the understatement of helium concentrations. In most instances helium was not tested as the focus was hydrocarbons in which case gas would be characterized as 'non-flammable'.

<sup>1</sup> <https://www.bloomberg.com/quote/APD:US>

<sup>2</sup> Derived from historical Doe Canyon well production data

<sup>3</sup> EUR is estimated from the decline curves of the drilled Doe Canyon wells

<sup>4</sup> Edison Research Global Helium Market Update, May 2021

<sup>5</sup> <http://www.paradoxresources.com/operations/midstream/>



# OPERATING AND FINANCIAL REVIEW FOR THE YEAR ENDED 30 JUNE 2021

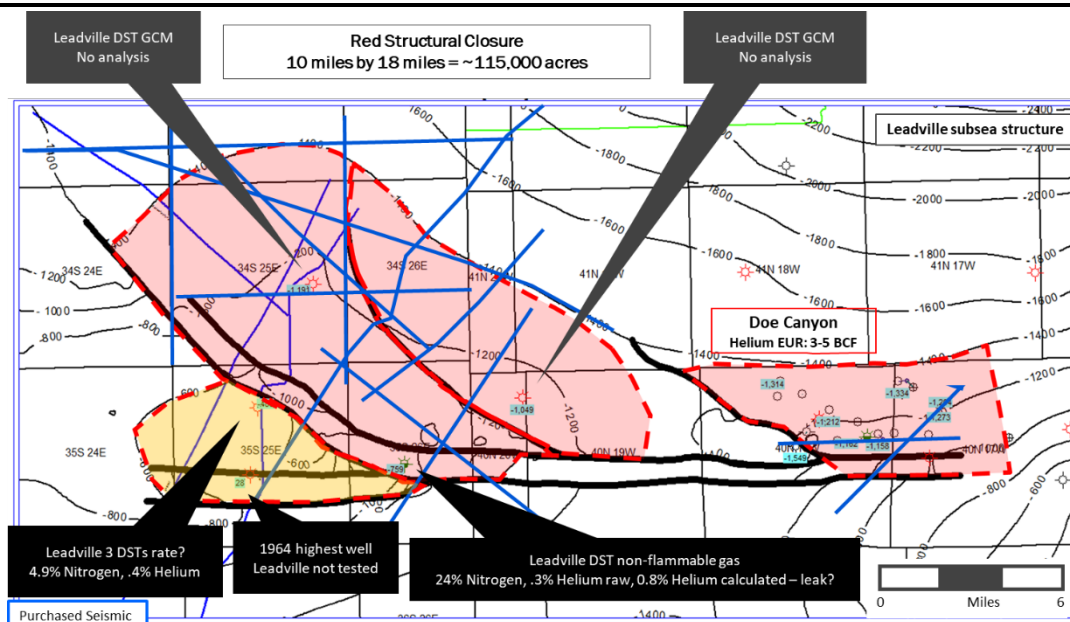


Figure 4: Red Helium Project Well Control and Seismic

## Helium Wells

The wells are relatively low risk, with drilling and completion to a total depth of approximately 10,000 feet expected to cost ~US\$1.5m per well. The first of three earn-in wells will take Grand Gulf's interest to 50% of Valence with the second and third well earning a further 12.5% each to take the total ownership in Valence to 75%.

Valence draws its technical expertise from the Four Corners Helium Team, which have a strong North American technical presence with the experienced personnel to draw upon and manage ongoing leasing and drilling programs.

## ESG – Carbon Sequestration Potential

GGE is in the process of reviewing the potential of the Red Helium Project qualifying under Section 45Q of the US tax code for carbon sequestration (re-injection) of the associated anticipated CO<sub>2</sub> component of the raw gas stream. Key aspects of Section 45Q of the US tax code include:

- Section 45Q stipulates tax credits for carbon sequestration
- *The emissions must be from a factory, refinery, power plant or other fuel combustion source, fuel cell, pipeline or manufacturing process. If the carbon dioxide is underground, drawing it out counts as long as the commercial goal is to recover some other gas mixed with it.*<sup>6</sup>
- *Tax credits belong to the entity who owns the carbon capture equipment, which is defined as the equipment used to separate or capture, treat, process, dry, liquefy, pump or compress the CO<sub>2</sub> up to the point where it is transported for disposal.*<sup>7</sup>

GGE is assessing whether CO<sub>2</sub> produced as a by-product from the Red Helium Project is suitable for carbon sequestration and whether it qualifies, under Section 45Q of the US Tax Code and the various US Environmental Protection Agency stipulations, for tax credits. GGE understands there are specific CO<sub>2</sub> concentration thresholds and other technical requirements that need to be satisfied prior to qualification and that these details will only be known once a well has been drilled at the Red Helium Project and the resultant flow rates and gas concentrations are known. Accordingly, there is no guarantee that any tax credits will be available to the Company but the possibility of the same provides an additional potential upside to the economics of the Red Helium Project should they be available in the event of successful development of the Project.

## Key Terms of the Acquisition

The base consideration payable to Kessel shareholders, subject to shareholder approval, for 100% of Kessel is 450 million shares and 100 million performance shares. The milestone for the performance shares, resulting in the conversion of performance shares into ordinary shares, is gross sales of 4 million cubic feet (mmcf) of helium from the Red Helium Project. The vendors have agreed to voluntary escrow

<sup>6</sup> Norton Rose Fullbright - <https://www.projectfinance.law/publications/2021/february/tax-credits-for-carbon-capture/>

<sup>7</sup> Norton Rose Fullbright - <https://www.projectfinance.law/publications/2021/february/tax-credits-for-carbon-capture/>

## OPERATING AND FINANCIAL REVIEW

### FOR THE YEAR ENDED 30 JUNE 2021

of 75% of their consideration shares for 3 months from completion. The acquisition is subject to a \$3.3m raise (firm commitments already received) at 1 cent each and 60 million options exercisable at 2.5 cents each.

Kessel has invested US\$650,000 in acquiring and developing its assets. Kessel has a 25% interest in an incorporated JV company, Valence Resources LLC ("Valence"), with a right to secure a further 50% interest (total of 75%) on the following terms:

Earning 75% of Valence Resources	Max Cost	Earning
Completion of Leasing Payments	US\$1.3M (\$900k already paid)	25%
Drilling first well prior to 30 September 2022	US\$1.5M	25%
Drilling second well prior to 30 September 2023	US\$1.5M	12.5%
Drilling third well prior to 30 September 2023	US\$1.5M	12.5%
Total Payments	US\$5.8M	75%

The other shareholders of Valence are helium experts and project partners FCH (60%) and RDE (15%) (both diluting as a result of the above earn-in arrangements). Kessel currently controls the Valence board. A 20% royalty on all commercial production from the leases is payable to the land owners (lessors) and is inclusive of an overriding royalty interest payable to FCH, RDE and several of the project vendors.

Completion of the acquisition is conditional on the satisfaction (or waiver) of a number of conditions including receipt of shareholder and other regulatory approvals, due diligence and firm commitments for the capital raising being received. The acquisition agreement also includes standard and customary warranties and limits of liability for an agreement of this nature.

#### **Capital Raising**

Grand Gulf has engaged CPS Capital Group Pty Ltd ("CPS") for the purpose of a capital raising. The minimum raise required to complete the acquisition of Kessel is A\$3.3 million (being the issue of 330m shares at 1c each), which will comprise a placement to institutional and sophisticated investors. The capital raising will be completed in two tranches with \$950,000 having been raised and issued on 13 September 2021 under ASX LR7.1 and 7.1A and the balance being subject to shareholder approval on 11 October 2021. CPS will be paid a 6% fee on the capital raised which will be paid in shares subject to shareholder approval.

In addition, CPS, various other parties involved in the capital raising and several of the vendors will be issued 60,000,000 unlisted options exercisable at 2.5c on or before 3 years of issue.

#### **Latest Update to Closing**

On 22 September 2021 Grand Gulf confirmed it had completed due diligence on Kessel and its assets and was satisfied that no material issues exist which would affect completion.

Under the terms of the Valence Operating Agreement certain payments are due by the end of September, which total US\$650,000 (US\$250,000 due on 22 September 2021 and US\$400,000 due on 30 September 2021), in order for Kessel to continue to earn its interest in Valence Resources LLC (the incorporated JV company). Such payments were detailed in the ASX announcement dated 2 September 2021.

It was originally envisaged that completion of the transaction would have occurred by the time these payments were due however, as a function of delays in the implementation of the transaction, completion will now not occur before these payments are required. Completion is expected to occur on 12 October 2021 immediately following shareholder approval.

The Company confirms that none of the shareholders of Kessel will receive any portion of the payments that are proposed to be made with the loans. The payments are part of the commercial terms agreed by Kessel in order to earn its initial 25% interest in Valence, the holder of the Red Helium project.

The material terms of the proposed loan are as follows:

1. Loan Amount: US\$650,000;
2. Drawdowns: GGE will pay the money directly to Valence Resources LLC;
3. Maturity: repayable in 3 months if completion of the Kessel acquisition does not occur;
4. Interest: 10% pa if completion does not occur.

If completion occurs then the loan will simply become a loan between parent and wholly owned subsidiary.

## OPERATING AND FINANCIAL REVIEW

### FOR THE YEAR ENDED 30 JUNE 2021

#### **Indicative Capital Structure**

The indicative capital structure of Grand Gulf following completion of the Acquisition and Capital Raising is set out in the table below:

	Shares	Options	Performance Shares
Current	478,749,748	-	-
Tranche 2 Capital Raising	235,000,000	60,000,000 <sup>1</sup>	-
Capital Raising Fee	19,800,000		
Consideration for Proposed Acquisition	450,000,000	-	100,000,000 <sup>2</sup>
Executive performance shares			55,000,000 <sup>3</sup>
<b>Total</b>	<b>1,183,549,748</b>	<b>60,000,000</b>	<b>155,000,000</b>

- Options exercisable at \$0.025 expiring 3 years from grant to be issued to the Sellers and advisers to the Capital Raising.
- The performance shares vest upon the sale of the first 4MMCF gross helium produced from the leases; each Performance Share will convert on a one for one basis into a Share.
- 55,000,000 performance rights subject to shareholder approval

#### **Indicative Use of Funds – Working Capital Program**

The below table sets out the development program during the 12-month period following completion of the Acquisition.

Activity	\$US
Remaining Leasing Costs	\$650,000*
Initial earn-in well	\$1,500,000
<b>Total USD</b>	<b>\$2,150,000</b>
<b>Total AUD</b>	<b>\$2,981,000</b>

\*US\$250,000 was paid on 22/9/2021

#### **Indicative Timetable**

Announcement released to ASX	2 September 2021
Notice of Meeting despatched to Shareholders	6 September 2021
Grand Gulf General Meeting	11 October 2021
Completion of Acquisition and Placement	12 October 2021

\*Note, this timetable is indicative only and may be subject to change.

#### **Board Appointments**

Upon completion Keith Martens will join the Board of the Company as Chief Executive Officer and Chris Bath will resign.

#### **Keith Martens - B.Sc. (Geophysics-Geology) University of British Columbia 1976**

Keith has over 40 years' experience as an oil finder. Keith's career began in Calgary with Hudson Bay O&G, Home Oil and Marathon Petroleum where he worked as a Geophysicist and Explorationist. Moving to Australia with SANTOS in 1980 he was promoted to Principal Explorationist and was responsible for exploration and development for a variety of basins both on and offshore. In late 2000, he joined Tap Oil as Exploration Manager and in 2005 he joined the newly listed Bow Energy as Exploration Manager where he oversaw extensive exploration in the Cooper-Eromanga and Surat-Bowen basins.

He was the lead explorationist for Victoria Petroleum/Senex and discovered the Growler/Snatcher Oil Fields in central Australia and the NE Akkar and West Zhetybai Oil Fields in Kazakhstan (Jupiter Energy). Keith was the Technical Director of Saggasco exploring in California and also consulted to Rey Resources and Buru working on their Canning Basin interests.

## OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED 30 JUNE 2021

### Executive and Board Incentive Securities

Mark Freeman will be participating in the fundraising and has committed to \$100,000 subject to shareholder approval.

The Board has resolved to issue 55,000,000 performance rights to Management, subject to shareholder approval. Comprising 27,500,000 Class A performance rights and 27,500,000 Class B performance rights to be issued under a new Grand Gulf Employee Incentive Securities Plan. Performance Rights will be issued to Keith Martens (30 million), Mark Freeman (20 million) and Craig Burton (5 million). If within 5 years of issue, subject to continued engagement with the Company for 6 months, the below vesting conditions are met then the performance rights may be converted to shares:

- Class A performance rights vesting condition - the VWAP of the Company shares trading on the ASX being at least 3 cents over 20 consecutive trading days (on which shares have actually traded); and
- Class B performance rights will vest upon sale of the first 4MMCF gross helium produced from the Leases; each Performance Share will convert on a one for one basis into a share.

### Financial Performance

Grand Gulf Energy recorded a statutory profit after tax of \$115,218 for the financial year which compares with the profit after tax of \$324,514 recorded in the 2020 financial year.

Financial Performance		FY21	FY20	Change	%
Sales revenue	\$	1,140,900	1,604,778	(463,878)	-29%
Cost of Sales	\$	(563,420)	(569,401)	5,981	-1%
Gross Profit (before amortisation)	\$	577,480	1,035,377	(457,897)	-44%
Gross Profit/Sales Revenue	%	51%	65%	99%	
Amortisation		(106,425)	(197,172)	90,747	-46%
Gross Profit	\$	471,055	838,205	(367,150)	-44%
Operating Cash Flow	\$	110,289	877,481	(767,192)	-87%
Reported gain/(loss)	\$	115,218	324,514	(209,296)	-64%
Underlying EBITAE* (Non – IFRS)	\$	304,796	587,762	(282,966)	-48%

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

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

The underlying EBITDAE (Non-IFRS) for the year ended 30 June 2021 was \$303,464 compared with an underlying EBITDAE (Non-IFRS) of \$587,762 for the year ended 30 June 2020. The most significant factor which contributed to the movement between the periods was the lower sales revenue (a decrease of \$463,878 from 30 June 2020).

### Financial Position

Financial Position		FY21	FY20	Change	%
Total Assets	\$	3,096,218	3,244,769	(148,551)	-5%
Total Liabilities	\$	408,196	429,482	(21,286)	-5%
Total Equity	\$	2,688,022	2,815,287	(127,265)	-5%

### Cash & cash equivalents

At 30 June 2021 the Company had cash of \$1,058,399.

### Outlook

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

# OPERATING AND FINANCIAL REVIEW

## FOR THE YEAR ENDED 30 JUNE 2021

### 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>
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>

For personal use only

**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 30 JUNE 2021**

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, 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</p>

For personal use only

**OPERATING AND FINANCIAL REVIEW**  
**FOR THE YEAR ENDED 30 JUNE 2021**

		<p>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>
--	--	--

For personal use only



## DIRECTOR'S STATUTORY REPORT

### FOR THE YEAR ENDED 30 JUNE 2021

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 2021 (referred to hereafter as the group).

#### REVIEW AND RESULTS OF OPERATIONS

For the financial year ended 30 June 2021, the gain attributable to members of the Group is \$115,218 (2020: \$324,514).

#### DIRECTORS

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

<p><b>Mr Craig Burton</b> Executive Chairman Appointed 5 March 2019</p>	<p><b>Experience and Expertise</b> 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><b>Responsibilities</b> 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><b>Former and current directorships in last 3 years</b> 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><b>Mr Mark Freeman</b> B.com, CA, F.Fin Executive Director – Appointed 27 October 2010 and Company Secretary - Appointed 22 April 2010</p>	<p><b>Experience and Expertise</b> Mr Freeman is a Chartered Accountant and has more than 21 years' experience in corporate finance and the resources industry. He has experience in project acquisitions and management, strategic planning, business development, M&amp;A, asset commercialisation, and project development. Prior experience with Mirabela Nickel Ltd, Exco Resources NL, Panoramic Resources Ltd and Matra Petroleum Plc.</p> <p><b>Responsibilities</b> Mr Freeman is responsible for strategy, finance, corporate, acquisition, exploration and production activities and the day to day management of Grand Gulf Energy.</p> <p><b>Former and current directorships in last 3 years</b> Mr Freeman is currently a Director of Pursuit Minerals Limited and Calima Energy Ltd and a former director of Frontier Diamonds Limited (resigned 11 June 2020) and</p>
<p><b>Mr Chris Bath</b> CA, MAICD Non- Executive Director Appointed 5 March 2019</p>	<p><b>Experience and Expertise</b> 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><b>Former and current directorships in last 3 years</b> Mr Bath is currently a director of Cradle Resources Limited.</p>

# DIRECTOR'S STATUTORY REPORT

## FOR THE YEAR ENDED 30 JUNE 2021

---

### 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 2021 the consolidated cash position was \$1,058,399 (2020: \$1,035,406).

### EVENTS SINCE THE END OF FINANCIAL YEAR

#### Utah Helium Acquisition

The Company has entered into a binding agreement to acquire 100% of the issued share capital of Kessel Resources Pty Ltd ("Kessel"), a privately held Australian company which holds an interest in the Red Helium Project located in Utah.

The successful merger with Kessel will add a significant Helium exploration opportunity to Grand Gulf's existing cash flow positive oil and gas portfolio (refer pages 4-9 for details regarding the transaction).

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2021, 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 2021 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 significant 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 (2020: 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 (2020: nil listed options) and nil unlisted options (2020: Nil).

## DIRECTOR'S STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2021

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. There were no shares issued on the exercise of options during the year.

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

#### Securities

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

#### Ordinary Shares

Holder	Balance at Beginning of Year/Date of Appointment	Other changes during the year	Balance at the date of report
Mr C I Burton	100,155,869	(3,149,000) <sup>(i)</sup>	97,006,869
Mr M Freeman	-	5,000,000 <sup>(ii)</sup>	5,000,000
Mr C Bath	-	-	-
<b>Total</b>	<b>100,155,869</b>	<b>1,851,000</b>	<b>102,006,869</b>

(i) Mr Burton sold 3,149,000 shares on 17 August 2021

(ii) Mr Freeman bought 1,167,256 shares on 15 June 2021 and 3,832,744 shares on 17 June 2021

#### Options

Holder	Balance at beginning of year/Date of Appointment	Balance as at date of report	Vested and exercisable
Mr C I Burton	-	-	-
Mr M Freeman	-	-	-
Mr C Bath	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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.

# DIRECTOR'S STATUTORY REPORT

## FOR THE YEAR ENDED 30 JUNE 2021

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

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

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

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

	2021	2020	2019	2018	2017
Profit / (loss) for the year	115,218	324,514	(188,496)	(543,093)	(2,223,633)
Restated basic earnings/(loss) per share (cents per share)	0.041	0.042	(0.013)	(0.0355)	(0.148)
Dividend payments	-	-	-	-	-
Dividend payment ratio (%)	-	-	-	-	-
Increase/(decrease) in share price (%)	50%	50%	50%	Nil	(33%)

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.

## DIRECTOR'S STATUTORY REPORT FOR THE YEAR ENDED 30 JUNE 2021

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

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

### Voting and comments made at the Company's 2020 Annual General Meeting

GGE received more than 99.9% of "yes" votes (excluding director's votes) on its remuneration report for the 2020 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 2021 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:

- a) Primary benefits – salary / fees and bonuses;
- b) Post-employment benefits – including superannuation;
- c) Equity – share options granted under the Employee Share Option Plan; and
- d) Other benefits.

## DIRECTOR'S STATUTORY REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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

### 2021

	Short term benefits		Post-employment	Equity		Total
	Salary and fees	Bonus	Superannuation	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
<b>Total</b>	<b>180,000</b>	-	-	-	-	<b>180,000</b>

### 2020

	Short term benefits		Post-employment	Equity		Total
	Salary and fees	Bonus	Superannuation	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
<b>Total</b>	<b>180,000</b>	-	-	-	-	<b>180,000</b>

#### D. 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 nil.

##### 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 2021	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.
<b>Directors &amp; KMP</b>				
Mr CI Burton	100,155,869	-	(3,149,000) <sup>(i)</sup>	97,006,869
Mr M Freeman	-	-	5,000,000 <sup>(ii)</sup>	5,000,000
Mr C Bath	-	-	-	-
<b>Total</b>	<b>100,155,869</b>	-	<b>1,851,000</b>	<b>102,006,869</b>

(i) Mr Burton sold 3,149,000 shares on 17 August 2021

(ii) Mr Freeman bought 1,167,256 shares on 15 June 2021 and 3,832,744 shares on 17 June 2021

# DIRECTOR'S STATUTORY REPORT

## FOR THE YEAR ENDED 30 JUNE 2021

### Loans to key management personnel

No loans were provided to the key management personnel or to any of their associates.

### Other transactions with key management personnel

There were no other transactions with key management personnel during the financial year.

***This the end of the audited remuneration report.***

### Shares issued on the exercise of options

There were no ordinary shares of Grand Gulf Energy Limited issued during the year ended 30 June 2021 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 30 September 2021, and signed in accordance with a resolution of the Directors.



**Mr Mark Freeman**  
Executive 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 2021, 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, 30 September 2021

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2021**

		2021	2020
	Notes	\$	\$
Revenue from continuing operations	2	1,140,900	1,604,778
Other income	3(a)	150,950	28,128
Government Grant		10,000	10,000
Cost of sales	3(b)	(563,420)	(569,401)
Amortisation of oil and gas properties	7	(106,425)	(197,172)
Interest income		-	38
Corporate office expenses	3(b)	(57,950)	(46,918)
Employee benefits expense		(261,408)	(280,383)
Exploration and evaluation expenditure		(81,821)	(65,446)
Foreign exchange		-	(32)
Professional and statutory fees		(112,205)	(115,649)
Depreciation		-	(636)
Other expenses		(2,070)	-
<b>Profit before income tax</b>		<b>116,550</b>	<b>367,307</b>
Income tax (expense)/ benefit	4	(1,332)	(42,793)
<b>Net profit after income tax</b>		<b>115,218</b>	<b>324,514</b>
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation		(242,483)	42,795
<b>Total comprehensive profit for the year</b>		<b>(127,265)</b>	<b>367,309</b>
<b>Earnings per share for the year</b>			
<b>Attributable to the members of Grand Gulf Energy Ltd</b>			
Basic earnings per share (cents per share)	18	0.030	0.042
Diluted earnings per share (cents per share)	18	0.030	0.042

*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 2021**

		2021	2020
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	13(a)	1,058,399	1,035,406
Trade and other receivables	6	242,331	99,199
Other assets	6	2,147	37,876
<b>Total Current Assets</b>		<u>1,302,877</u>	<u>1,172,481</u>
<b>Non-Current Assets</b>			
Investment		-	2
Oil & gas properties	7	1,793,341	2,072,286
<b>Total Non-Current Assets</b>		<u>1,793,341</u>	<u>2,072,288</u>
<b>Total Assets</b>		<u>3,096,218</u>	<u>3,244,769</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	135,571	134,150
<b>Total Current Liabilities</b>		<u>135,571</u>	<u>134,150</u>
<b>Non-Current Liabilities</b>			
Restoration provision	9	272,625	295,332
<b>Total Non-Current Liabilities</b>		<u>272,625</u>	<u>295,332</u>
<b>Total Liabilities</b>		<u>408,196</u>	<u>429,482</u>
<b>Net Assets</b>		<u>2,688,022</u>	<u>2,815,287</u>
<b>EQUITY</b>			
Contributed equity	10	40,377,570	40,377,570
Reserves	11	5,182,328	5,424,811
Accumulated losses	12	(42,871,876)	(42,987,094)
<b>Total Equity</b>		<u>2,688,022</u>	<u>2,815,287</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 2021**

	Contributed Equity	Foreign currency translation reserve	Share Option Reserve	Option premium reserve	Accumulated losses	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2020	40,377,570	2,731,674	2,016,337	676,800	(42,987,094)	2,815,287
Profit attributable to members of the parent entity	-	-	-	-	115,218	115,218
Foreign currency translation adjustment	-	(242,483)	-	-	-	(242,483)
Total comprehensive income for the year	-	(242,483)	-	-	115,218	(127,265)
Shares issued, net of issue costs	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-
<b>Balance at 30 June 2021</b>	<b>40,377,570</b>	<b>2,489,191</b>	<b>2,016,337</b>	<b>676,800</b>	<b>(42,871,876)</b>	<b>2,688,022</b>
Balance at 1 July 2019	40,377,570	2,688,879	2,016,337	676,800	(43,311,608)	2,447,978
Loss attributable to members of the parent entity	-	-	-	-	324,514	324,514
Foreign currency translation adjustment	-	42,795	-	-	-	42,795
Total comprehensive income/(loss) for the year	-	42,795	-	-	324,514	367,309
Shares issued, net of issue costs	-	-	-	-	-	-
Share based payment	-	-	-	-	-	-
<b>Balance at 30 June 2020</b>	<b>40,377,570</b>	<b>2,731,674</b>	<b>2,016,337</b>	<b>676,800</b>	<b>(42,987,094)</b>	<b>2,815,287</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2021**

		2021	2020
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,262,159	2,426,832
Payments to suppliers and employees		(395,302)	(369,602)
Interest received		-	39
Government grant		10,000	10,000
Other Payments Received		150,950	-
Production costs		(903,925)	(1,095,329)
Tax		(1,332)	(42,793)
Payments for exploration and evaluation		(12,261)	(51,666)
Net cash inflow from operating activities	13(b)	<u>110,289</u>	<u>877,481</u>
<b>Cash flows from investing activities</b>			
Payments for development of oil & gas properties		(1,332)	-
Net cash (outflows) from investing activities		<u>(1,332)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>		108,957	877,481
<b>Cash and cash equivalents at the beginning of the financial year</b>		<u>1,035,406</u>	<u>162,391</u>
Effects of exchange rate changes on the balance of cash and cash equivalents in foreign currencies		(85,964)	(4,466)
<b>Cash and cash equivalents at the end of the financial year</b>	13 (a)	<u>1,058,399</u>	<u>1,035,406</u>

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

For personal use only

# 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 2021 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 30 September 2021.

### 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:

- **Conceptual Framework for Financial Reporting (Conceptual Framework)**

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

#### 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:

#### *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 2021 rehabilitation obligations have a carrying value of \$272,625 (2020: \$295,332).

#### *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 2021, the carrying value of oil & gas properties is \$1,793,341 (2020: \$2,072,286). Refer to Note 7 for further details.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

### **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.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

#### ***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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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.

#### 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 reporting 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

### (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.

### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

### *(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. 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

---

### (s) Parent entity financial information

The financial information for the parent entity, Grand Gulf Energy Ltd, disclosed in note 22 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.

### (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.

### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. Revenue

	2021	2020
	\$	\$
Sale of oil and gas	1,140,900	1,604,778
Total revenues from ordinary activities	<u>1,140,900</u>	<u>1,604,778</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

	2021	2020
	\$	\$
Profit on sale of Whitebark Shares	-	28,128
Recovery of Legal Settlement	150,950	-
Total other income	<u>150,950</u>	<u>28,128</u>

#### (b) Expenses

Loss before income tax includes the following specific expenses:

	2021	2020
	\$	\$
<i>Cost of sales</i>		
Operating Costs	563,420	569,401
Total cost of sales	<u>563,420</u>	<u>569,401</u>
<i>Corporate Office Expenses</i>		
Insurance	28,047	23,861
Legal Services	10,958	2,139
Telephones	1,150	1,962
IT Expenses	8,107	2,949
Website	307	1,411
Subscriptions	223	668
Other	9,158	13,928
Total corporate office expenses	<u>57,950</u>	<u>46,918</u>

### 4. Income tax

#### (a) Income tax expense

	2021	2020
	\$	\$
Current tax	1,332	42,793
Deferred tax	-	-
Under (over) provided in prior years	<u>-</u>	<u>-</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2021	2020
	\$	\$
Profit from ordinary activities before income tax expense	115,219	367,307
Prima facie tax benefit on gain from ordinary activities at 27.5% (2020: 27.5%)	(29,957)	(101,009)
Adjustment for foreign jurisdiction tax rate differential	25,546	38,713
	(4,411)	(62,296)
Add tax effect of non-temporary adjustments	-	-
Tax effect of current year tax losses for which no deferred tax asset has been recognised/(Recoupment of prior period tax losses)	(105,482)	(73,263)
Impact of lower future income tax rates	-	393,267
Timing differences previously not recognised	111,225	(214,915)
Income tax expense / (benefit)	1,332	42,793

The income tax expense in FY2021 relates to tax payable in the USA

### (c) Unrecognised temporary differences

	2021	2020
	\$	\$
Unused tax losses for which no deferred tax asset has been recognised – Overseas	7,318,566	8,139,211
Unused tax losses for which no deferred tax asset has been recognised - Australia	4,540,905	3,998,235

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.

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

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

### 6. Trade and other receivables

	2021	2020
	\$	\$
<b>Current</b>		
Trade and other receivables <sup>(i)</sup>	242,331	99,199
Insurance claim receivables	2,147	37,876
	244,478	137,075

- (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.

For personal use only

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Refer to note 21 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.

### 7. Oil and Gas Properties

	2021	2020
	\$	\$
Producing oil & gas assets	7,956,432	7,956,432
Acquisition	1,332	-
Provision for impairment and amortisation	(6,164,423)	(5,884,146)
	<u>1,793,341</u>	<u>2,072,286</u>
Capitalised oil and gas properties		
Carrying amount at beginning of year	2,072,286	2,215,834
Expenditure during the year	1,332	-
Foreign exchange differences	(173,852)	53,624
Amortisation	(106,425)	(197,172)
Carrying amount at end of year	<u>1,793,341</u>	<u>2,072,286</u>

The Company recorded no impairment of oil and gas properties for the year ended 30 June 2021 (30 June 2020: 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.

### 8. Trade and other payables

	2021	2020
	\$	\$
<b>Current</b>		
Trade creditors	<u>135,571</u>	<u>134,150</u>
	<u>135,571</u>	<u>134,150</u>

Risk exposure: Information about the Group's exposure to foreign exchange risk is provided in note 21.

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

### 9. Provisions

	2021	2020
	\$	\$
<b>Non-Current</b>		
Asset retirement obligation	<u>272,625</u>	<u>295,332</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (a) Reconciliations

Asset retirement obligation		
Carrying amount at beginning of year	295,332	289,126
Additional provisions recognised/recalculated	(2,070)	(303)
Foreign exchange differences	(20,637)	6,509
Carrying amount at end of year	<u>272,625</u>	<u>295,332</u>

### 10. Contributed equity

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

	2021		2020	
	Number of Shares	\$	Number of Shares	\$
Balance at the beginning of the year	383,749,478	<b>40,377,570</b>	767,498,870	<b>40,377,570</b>
Consolidation 2:1 <sup>(iii)</sup>	-	-	383,749,478	-
<b>Balance carried forward at the end of the year</b>	<b>383,749,478</b>	<b>40,377,570</b>	<b>383,749,478</b>	<b>40,377,570</b>

(i) 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.

There were 383,749,478 fully paid ordinary shares on issue at 30 June 2021 (30 June 2020: 383,749,478)

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

#### (c) Share options

As at 30 June 2021 the Company has on issue nil (30 June 2020: nil).

### 11. Reserves

	2021	2020
	\$	\$
Foreign currency translation (a)	2,489,191	2,731,674
Share option reserve (b)	2,016,337	2,016,337
Option premium reserve (c)	676,800	676,800
	<u>5,182,328</u>	<u>5,424,811</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (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.

	2021	2020
	\$	\$
Balance at beginning of year	2,731,674	2,688,879
Gain on translation of foreign controlled entities	(242,483)	42,795
Balance at end of year	<u>2,489,191</u>	<u>2,731,674</u>

### (b) Share option reserve

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

	2021	2020
	\$	\$
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.

	2021	2020
	\$	\$
Balance at beginning of year	676,800	676,800
Balance at end of year	<u>676,800</u>	<u>676,800</u>

## 12. Accumulated losses

	2021	2020
	\$	\$
Balance at beginning of year	(42,987,094)	(43,311,608)
Net profit/(loss) attributable to members of the Company	115,218	324,514
Balance at end of year	<u>(42,871,876)</u>	<u>(42,987,094)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 13. 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:

	2021	2020
	\$	\$
Cash on hand	1,058,399	1,035,406

The Group's exposure to interest rate risk is discussed in note 21. The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

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

	2021	2020
	\$	\$
Profit/(loss) for the year	115,218	324,514
Depreciation	-	636
Amortisation	106,425	197,172
Loss on investment	-	-
Profit on investment	-	(28,128)
Tax	1,332	42,793
Exchange rate differences on assets/liabilities held in foreign currencies	(6,704)	11,964
<b>Changes in net assets and liabilities</b>		
(Increase)/decrease in assets:		
Trade and other receivables	(107,403)	319,825
(Decrease) in liabilities:		
Trade and other creditors	1,421	8,705
Net cash inflows from operating activities	110,289	877,481

### 14. Expenditure commitments

There were no commitments as at 30 June 2021.

### 15. Non-cash investing and financing activities

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

### 16. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2021.

### 17. Events occurring after reporting date

#### Utah Helium Acquisition

The Company has entered into a binding agreement to acquire 100% of the issued share capital of Kessel Resources Pty Ltd ("Kessel"), a privately held Australian company which holds an interest in the Red Helium Project located in Utah.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The successful merger with Kessel will add a significant Helium exploration opportunity to Grand Gulf's existing cash flow positive oil and gas portfolio (refer pages 4-9 for details regarding the transaction).

As part of the acquisition the Company has entered into firm commitments to raise \$3.3 million through the issue of 330 million shares at 1 cent each, the first tranche of the raising was completed on 14 September 2021 with the issue of 95 million shares raising \$950,000 before costs.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the entity up to 30 June 2021, 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 2021 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.

### 18. Profit 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	2021	2020
	\$	\$
Profit used in calculating basic loss per share	115,218	324,514
Weighted average number of ordinary shares used in calculating basic earnings per share	383,749,478	383,749,478
Basic/Diluted earnings per share (cents per share)	0.030	0.042

### 19. Auditor's remuneration

	2021	2020
	\$	\$
Audit and review of financial reports	51,764	43,212
	51,764	43,212

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

### 20. 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

### 21. 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 2021 and 30 June 2020.

##### (iv) Credit risk

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

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

	CARRYING AMOUNT	
	2021	2020
	\$	\$
Cash and cash equivalents	1,058,399	1,035,406
Receivables	242,331	99,199
Insurance claim	2,147	37,876

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (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 2021	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
<b>Financial Liabilities</b>							
Trade creditors	135,571	-	-	-	-	135,571	135,571
<b>Total</b>	<b>135,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>135,571</b>	<b>135,571</b>

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
<b>Financial Liabilities</b>							
Trade creditors	134,150	-	-	-	-	134,150	134,150
<b>Total</b>	<b>134,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>134,150</b>	<b>134,150</b>

## 22. Parent Entity Financial Information

### (i) Summary financial information

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

	2021 \$	2020 \$
<b>Statement of Financial Position</b>		
Current assets	150,967	49,065
Non-current assets	52,375	548,609
<b>Total assets</b>	<b>203,342</b>	<b>597,674</b>
Total liabilities	125,999	124,631
<b>Net assets</b>	<b>77,343</b>	<b>473,043</b>
<i>Shareholders' equity</i>		
Issued capital	40,377,570	40,377,570
Reserves	2,693,138	2,693,138
Accumulated losses	(42,993,365)	(42,597,665)
	<b>77,343</b>	<b>473,043</b>
<b>Loss for the year</b>	<b>(395,701)</b>	<b>(228,279)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (ii) Contingent Liabilities and Commitments

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

### 23. Related Party Transactions

#### (i) Parent entity

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

#### (ii) Subsidiaries

Interests in subsidiaries are set out below.

#### (iii) Investments in controlled entities

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

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

	Country of incorporation	2021	2020
		%	%
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	2021	2020
		%	%
Grand Gulf Energy Inc	USA	100	100

#### (iv) Key management personnel compensation

	2021	2020
	\$	\$
Short-term employee benefits	180,000	180,000
Share-based payments	-	-
	<u>180,000</u>	<u>180,000</u>

Detailed remuneration disclosures are provided in the Remuneration Report on pages 16-20.

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

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

For personal use only

## 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 2021 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, 30 September 2021

## 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 2021, 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 2021 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.

### Recoverability of oil and gas properties

Key audit matter	How the matter was addressed in our audit
<p>Note 7 of the financial report discloses the carrying value of the Group's oil and gas properties.</p> <p>The Group is required to assess for indicators of impairment at each reporting date.</p> <p>As the carrying value of oil and gas properties represents significant assets of the Group, we considered it necessary to assess whether any facts or circumstance exist to suggest that the carrying amounts of these assets may exceed their recoverable amount. The carrying value is also affected by the amortisation that is recorded based on a units of production calculation which involves judgement and estimation in relation to oil and gas reserves.</p> <p>This is a key audit matter due to the quantum of the asset and the significant judgement involved in management's assessment of the carrying value of oil and gas properties.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtaining and reviewing the reserve report prepared by management's external expert including assessing the competency and objectivity of management's expert;</li> <li>• Evaluating and challenging management's assessment of indicators of impairment under the Australian Accounting Standards for the assets by: <ul style="list-style-type: none"> <li>○ Comparing the carrying amounts of the Group's net assets against the market capitalisation as at 30 June 2021;</li> <li>○ Considering underlying commodity prices and the impacts on recoverable values of oil and gas properties; and</li> </ul> </li> <li>• Evaluating the consistency of application of the Group's amortisation methodology on its oil and gas properties;</li> <li>• Testing the mathematical accuracy of the amortisation models; and</li> <li>• Assessing the adequacy of the related disclosures in Note 7 in the financial report.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2021, 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\\_2021.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2021.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 16 to 20 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Grand Gulf Energy Limited, for the year ended 30 June 2021, 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

BDO  


Dean Just

Director

Perth, 30 September 2021

For personal use only

**ASX INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2021**

---

**1. Statement of issued capital**

- a) Distribution of fully paid ordinary shares as at 23 September 2021

Size of Holding			Number of Shareholders	Shares Held
1	-	1,000	81	10,637
1,001	-	5,000	27	90,056
5,001	-	10,000	27	25,777
10,001	-	100,000	365	18,664,823
100,001	and	Over	321	459,758,185
			<hr/>	<hr/>
			821	478,749,478
			<hr/>	<hr/>

- b) There are 135 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	20.26%
Charles Morgan	13.85%

**3. Quotation**

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

**ASX INFORMATION**  
**FOR THE YEAR ENDED 30 JUNE 2021**

**Top Twenty Shareholders as at 23 September 2021**

The twenty largest shareholders hold 54.34% of the total issued ordinary shares in the Company as at **23 September 2021**

Name	Number of Shares	% of Issued Shares
CHARLES WAITE MORGAN	66,300,238	13.849
ALBA CAPITAL PTY LTD	54,830,335	11.453
SKYE EQUITY PTY LTD	33,958,557	7.093
SACHA INVESTMENTS PTY LTD	27,363,528	5.716
DC & PC HOLDINGS PTY LTD	10,750,000	2.245
KANGSAV PTY LIMITED	8,372,120	1.749
ANGKOR IMPERIAL RESOURCES PTY LTD	6,650,000	1.389
MARK FREEMAN	5,000,000	1.044
KNIPSPPEL PTY LTD	5,000,000	1.044
ALTIME NOMINEES PTY LTD	4,400,000	0.919
CRAIG BURTON <CI BURTON FAMILY A/C>	4,241,110	0.886
BLUE SPEC DRILING PTY LTD	4,162,527	0.869
DR SALIM CASSIM	4,000,000	0.836
QUANTUM AM PTY LTD	4,000,000	0.836
MR DAVID BELL	4,000,000	0.836
ALBA CAPITAL PTY LTD	3,976,867	0.831
MR DOUBAL JAMES FERGUSON	3,500,000	0.731
COMSEC NOMINEES PTY LIMITED	3,380,611	0.706
CRIMSON HOLDINGS PTY LTD	3,200,000	0.668
CORRIDOR NOMINEES PTY LTD	3,100,000	0.648
	<b>260,185,893</b>	<b>54.347</b>