GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

INTERIM REPORT

FOR THE HALF YEAR ENDED

31 December 2021

CONTENTS

GRAND GULF ENERGY LIMITED

ABN 22 073 653 175

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity (**Company, Group or GGE**) for the half-year ended 31 December 2021.

DIRECTORS

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

Mr Craig Burton	*Non-Executive Chairman*
Mr Dane Lance	*Managing Director (appointed 23 February 2022)*
Mr Keith Martens	*Technical Director (appointed Managing Director 11 October 2021. Appointed Technical Director on 23 February 2022 following appointment of Mr Dane Lance as MD)*
Mr Mark Freeman	*Executive Director & Company Secretary*
Mr Chris Bath	*Non-executive Director (resigned 11 October 2021)*

OPERATING RESULT

The Group incurred an operating loss after income tax for the half-year ended 31 December 2021 of $9,771,361 (half-year ended 31 December 2020: operating loss after income tax of $69,703).

The Directors believe the Group is in a sound financial position to continue its exploration and development endeavours.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

Grand Gulf's principal activity is the development of the Red Helium Project in Utah USA and targeting conventional oil and gas opportunities in the USA.

Utah Helium Acquisition

During the period Grand Gulf acquired 100% of the issued share capital of Kessel Resources Pty Ltd (**Kessel**), a privately held Australian company which held a 25% interest in Valence Resources LLC (**Valence**). Valence has tenure over the Red Helium Project located in Utah. Consideration to acquire Kessel consisted of:

- 450 million GGE shares;
- 100 million performance shares that convert to GGE shares on a one for one basis if 4 million ft^3 of helium is produced and sold from the Red Helium Project by 15 October 2025; and
- 30 million options exercisable at 2.5 cents per share on or before 15 October 2024.

The Group acquired an additional 30% interest in Valence in December 2021 taking the Group's current interest in Valence to 55%, with a right to earn an interest of up to 85% of Valence by drilling three wells costing US$1.5M each.

Consideration for the additional 30% interest consisted of 91,161,187 GGE shares and $400,000 in cash.

The loss for the half-year includes an impairment charge of $9,450,000 relating to the Group's interest in Valence, the joint venture owning and operating the Red Helium Project. The impairment is the result of applying the requirements of accounting standards and does not reflect any operational changes to the Red Helium Project in the period.

The consideration for the Group's initial interest in Valence primarily consisted of shares in the Company. Under accounting standards, if the value of a transaction is measured by the value of the consideration paid, the value of the shares must be determined by the share price on the date they were issued rather than when the issue was announced. GGE's share price when the initial acquisition of its interest in Valence was announced was $0.012, though increased to $0.033 when the shares were issued on 15 October 2021. While the value of the consideration paid was measured using a share price of $0.033, the value of the Group's initial interest in Valence was subsequently reassessed based on a GGE share price of $0.012 resulting in the impairment.

About the Red Helium Project

During the period the Company announced a maiden Prospective Helium Resource of 10.9 BCF helium (most likely – P50) gross to Valence (net 7.4 BCF to Valence) [1]. The Prospective Resource is expected to

[1] * *Sproule as announced on ASX on 8 December 2021.* The Company is not aware of any new information or data that materially affects the information included in the referenced ASX announcement and confirms that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

grow as leasing continues. The total (most likely – P50) helium Prospective Resource for the Red Helium Project Area of mutual Interest is 20.8 BCF, with a maximum (P10) of 57.6 BCF.

The Company increased its acreage position from the initial acquisition of 27,303 acres to over 29,000 acres within the 243,200 acre area of mutual interest in Utah.

Table 1 below is based on leases owned at 8 December 2021.

Recoverable Helium	1U (P90) (BCF)	2U (P50) (BCF)	3U (P10) (BCF)
Gross to Valence - (28,046 gross acres)	7.6	**10.9**	12.9
Net to Valence - (18,959 net acres)	5.2	**7.4**	8.5
Net to GGE - (earning 85% of net Valence)	4.4	**6.3**	7.2
Red Project Total	7.9	**20.8**	**57.6**

A well site has been selected and permitting commenced for the maiden helium well at the Red Helium Project planned for the second half of FY 21/22.

About the Red Helium Project

The Red Helium Project provides exposure to the burgeoning helium industry in a known helium-producing area that comprises:

- Geologically analogous to Doe Canyon Field (refer ASX announcement 8/12/21, pg 4), Doe Canyon is situated 15 miles due east of the Red Helium project, and is currently producing approximately 10,700,000 cubic feet of helium per month, the bulk of which comes from only 7 wells. Air Products is processing the helium, and it is anticipated that Doe Canyon will ultimately produce 3-5 billion cubic feet of helium. With additional drilling, this resource figure could increase
- 315 kms of well-placed 2D seismic has been acquired and reprocessed – identifying multiple drill targets – and confirming a structural trap 4-5 times larger than the Doe Canyon Field
- 20 miles south of and connected by pipeline to the operational Lisbon Helium Plant (99.9995% purity)
- Current helium strip pricing ranges from $250-$400/mcf[2]

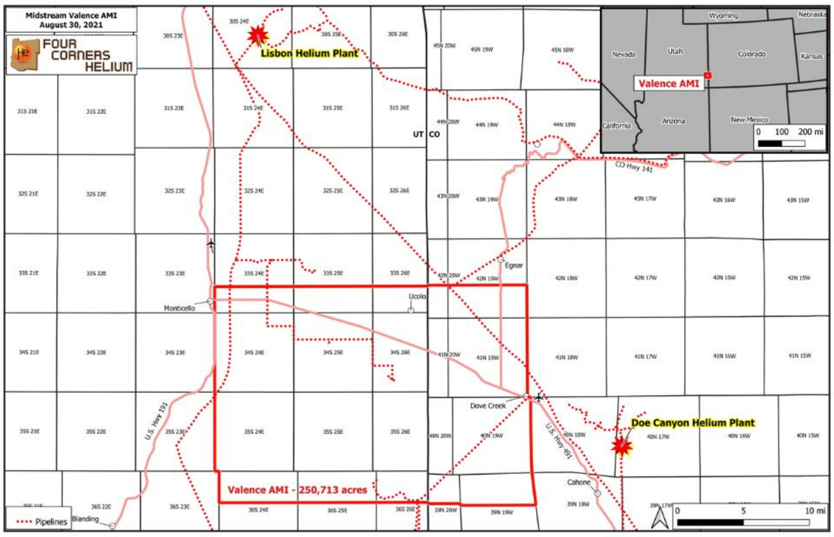

Figure 2: Red Helium Project acreage position and infrastructure

[2] Edison Research Global Helium Market Update, May 2021

Top Drilling Manager Appointed

As announced on 17 January the Company announced the appointment of Doug Frederick to the position of Drilling Superintendent for the forthcoming helium drilling programme at the Red Helium Project. Doug has over 40 years' experience in drilling and completion, including 16 years working for Shell Oil Company.

Valence is fortunate to secure the services of Mr Frederick. During his 20-year tenure with Kinder Morgan[3] (market cap: US$40B[4]), he oversaw up to 9 drilling and 30 workover rigs annually which culminated in McElmo Dome Field becoming one of the largest CO_2 producing fields in the world (~1 BCF/day); and Doe Canyon Field, the second largest North American helium discovery in over 60 years.

As Drilling Director at Kinder Morgan, Mr Frederick was responsible for drilling and workover operations of source wells and injection/production wells. He was responsible for annual capital budgets up to US$300M and OPEX budgets up to US$200M and focused on continuous improvement to increase efficiency and lower cost in delivering a quality wellbore.

Mr Frederick in conjunction with our JV Partner, Four Corners Helium ("FCH") (https://www.fourcornersheliumllc.com/), have the requisite in-depth knowledge and relevant experience in drilling and completing helium wells in the precise area of the Paradox Basin where the Red Helium Project is located.

Jesse #1 Permitting

After a year of in-depth research, the optimal drill site has been selected for the maiden helium well (Jesse #1), with Valence designated as Operator. On 8 February 2022 the Company confirmed that the Application for Permit to Drill (APD) had been successfully lodged with the Utah Division of Oil, Gas and Mining (UDOGM). Guidance from UDOGM indicates that the APD will be granted in 60 – 90 days' time enabling drilling to potentially commence in April 2022.
The Company remains ahead of schedule with respect to drill preparation and requisite permitting ahead of the potentially company-making Jesse#1 well.

Under the farmin agreement, Grand Gulf is to fund the Jesse #1 well up to a value of $US1.5 million, with any additional costs to be paid 70% Grand Gulf and 30% FCH. On completion of the first well Grand Gulf will have earned a 70% interest in Valence.

RESULTS AND REVIEW OF OPERATIONS

Total Net Quarterly Oil Production

	March Qtr	June Qtr	Sept Qtr	Dec Qtr
Oil (bbls)	3,998	4,524	4,260	4,997

			Quarterly Bo		Daily Bo	
	Working interest	Parish	Gross	Net	Gross	Net
Desiree Field	39.65%	Assumption	5,931	2,348	76	30
Dugas & Leblanc	61.8%	Assumption	6,383	2,649	72	30
Total			12,314	4,997	148	60

Half Yearly Cashflow Summary

Cash Flow Analysis	Year to Date
	$
Production Sales	774,827
Production Costs	(329,875)
Operating Costs	(371,785)
Net Operating Proceeds	73,167

3 Kinder Morgan owns the Doe Canyon Field whilst Air Products operates the helium component of production
4 https://finance.yahoo.com/quote/KMI/

Capital Structure and Financial Snapshot

ASX Code	GGE	Ordinary Shares	1,283 million
Performance Shares	155 million	Options (2.5c exp 15/10/24)	60 million
Share Price	3.2 cents	Market Capitalisation	$41.1 million
Cash Reserves @ 31/12/21	$3 million	Producing Fields	2

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Mr Dane Lance was appointed as Managing Director on 23 February 2022. Mr Lance will be issued the following performance rights, subject to shareholder approval:

(a) 10,000,000 Class B performance rights vesting upon the earlier of sale of the first 4 million cubic feet of gas gross helium produced from the Red Helium Project leases and continued engagement with the Company for 6 months. The securities expire on or before 15/10/2025 and each Performance Share will convert on a one for one basis into an Ordinary Share;

(b) 10,000,000 options exercisable at 7 cents on or before 4 years from issue and subject to continued engagement with the Company for 6 months; and

(c) 20,000,000 Class C Performance Rights vesting upon the sale of the first 100 MMCF gross helium produced from the Utah Leases and subject to continued service as a Director, consultant or employee of the Company for a period of at least 12 months.

A drilling contract was signed in March 2022 to drill the Jesse#1 well at the Red Helium project. The total costs to drill, evaluate and flow test Jesse#1 are estimated at US$1.6M with an expected spud date of mid-April 2022. Grand Gulf is liable for the first US$1.5M of Jesse#1 costs, which will earn the Company a 70% working interest in the JV Operator, Valence Resources LLC, with any costs incurred post this split on a 70/30 basis with Four Corners Helium LLC.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and, while it has not significantly impacted the entity up to 31 December 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 matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

AUDITOR'S DECLARATION

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 of the financial statements for the half year ended 31 December 2021.

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

Dated 14th March 2022

Mark Freeman
Director

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

As lead auditor for the review of Grand Gulf Energy Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 14 March 2022

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 $	31 December 2020 $
Revenue	3	783,994	489,855
Cost of sales		(329,875)	(237,027)
Amortisation of oil and gas properties		(56,248)	(61,738)
Gross profit		397,871	191,090
Net profit from investment in associate		66,884	-
Other Income		-	10,000
Employee benefits expense		(172,795)	(142,733)
Share-based payments	8	(425,700)	-
Professional and statutory fees		(83,883)	(70,988)
Corporate office expenses		(65,810)	(16,098)
Exploration Expenses		(37,928)	(39,391)
Impairment of investment in associate	4	(9,450,000)	-
Loss before income tax		(9,771,361)	(68,120)
Income tax benefit/(expense)		-	(1,583)
Loss for the half year		(9,771,361)	(69,703)
Other Comprehensive Income/(loss)			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign entities		342,875	(305,185)
Total comprehensive loss for the half year		(9,428,486)	(374,888)
		Cents	**Cents**
Loss per share			
Basic loss per share		(1.32)	(0.01)
Diluted loss per share		(1.32)	(0.01)

The Consolidated Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the Consolidated Statements

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	31 December 2021 $	30 June 2021 $
ASSETS			
Current Assets			
Cash and cash equivalents		3,050,424	1,058,399
Trade and other receivables		307,690	242,331
Prepayments		204,156	-
Other Assets		2,219	2,147
Total Current Assets		3,564,489	1,302,877
Non-Current Assets			
Investment in associate - Valence	4	9,649,445	-
Oil and gas properties	5	1,777,362	1,793,341
Total Non-Current Assets		11,426,807	1,793,341
Total Assets		14,991,296	3,096,218
LIABILITIES			
Current Liabilities			
Trade and other payables		52,817	135,571
Total Current Liabilities		52,817	135,571
Non-Current Liabilities			
Provisions		279,678	272,625
Total Non-Current Liabilities		279,678	272,625
Total Liabilities		332,495	408,196
Net Assets		14,658,801	2,688,022
Equity			
Contributed equity	6	60,103,136	40,377,570
Reserves	7	7,198,903	5,182,328
Accumulated losses		(52,643,238)	(42,871,876)
Total Equity		14,658,801	2,688,022

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the Consolidated Financial Statements

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Contrib-uted Equity $	Share Option Reserve $	Option Premium Reserve $	Foreign Currency Trans-lation Reserve $	Accumu-lated Losses $	Total Equity $
Balance at 01.07.2021	**40,377,570**	2,016,337	676,800	2,489,191	(42,871,877)	**2,688,021**
Loss for the half year	-	-	-	-	(9,771,361)	(9,771,361)
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	342,875	-	342,875
Total comprehensive income/(loss) for the half year	**-**	**-**	**-**	342,875	(9,771,361)	(9,428,486)
Transactions with owners in their capacity as owners:						
Issue of shares	20,603,546	-	-	-	-	20,603,546
Share-issue costs	(877,980)	624,000	-	-	-	(253,980)
Options issued to acquire asset	-	624,000	-	-	-	624,000
Share-based payments	-	425,700	-	-	-	425,700
Balance at 31.12.21	**60,103,136**	**3,690,037**	**676,800**	**2,832,066**	**(52,643,238)**	**14,658,801**
Balance at 01.07.2020	40,377,570	2,016,337	676,800	2,731,674	(42,987,094)	2,815,287
Loss for the half year	-	-	-	-	(69,703)	(69,703)
Other Comprehensive Income						
Exchange differences on translation of foreign operations	-	-	-	(305,185)	-	(305,185)
Total comprehensive loss for the half year	**-**	**-**	**-**	**(305,185)**	**(69,703)**	**(374,888)**
Transactions with owners in their capacity as owners:	-	-	-	-	-	-
Balance at 31.12.20	**40,377,570**	**2,016,337**	**676,800**	**2,426,489**	**(43,056,797)**	**2,440,399**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the Consolidated Financial Statements

GRAND GULF ENERGY LIMITED
ABN 22 073 653 175

CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 $	31 December 2020 $
Cash flows from operating activities			
Proceeds from sales		999,539	424,020
Payments to suppliers and employees		(596,497)	(160,905)
Production costs		(329,875)	(288,397)
Other Income received		-	10,000
Tax Payment		-	(1,583)
Net cash inflow from operating activities		73,167	(16,868)
Cash flows from investing activities			
Cash acquired on acquisition of Kessel Resources Pty Ltd	12	25,572	-
Acquisition of interest in associate	4	(1,364,264)	-
Net cash outflow from investing activities		(1,338,692)	-
Cash Flows from financing activities			
Proceeds from issue of shares net of costs	6	3,244,020	-
Net cash inflow from financing activities		3,244,020	-
Net increase/(decrease) in cash held		1,978,495	(16,868)
Cash and cash equivalents held at beginning of the half-year		1,058,399	1,035,406
Effect of exchange rate changes on cash and cash equivalents		13,530	(91,110)
Cash and cash equivalents at end of the half year		3,050,424	927,428

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the Consolidated Financial Statements

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

(a) *Reporting entity*

Grand Gulf Energy Limited (the "Company") is a Company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the half year ended 31 December 2021 comprise the Company and its controlled entities (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 30 June 2021 are available upon request from the Company's registered office at Suite 4, 246-250 Railway Parade, West Leederville WA 6007, or at www.grandgulfenergy.com

(b) *Statement of Compliance*

These consolidated interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2021.

These consolidated interim financial statements were approved by the Board of Directors 14 March 2022.

(c) *Basis of Preparation*

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the consolidated entity's 2021 annual financial report for the financial year ended 30 June 2021 except for those noted in 1(d). These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

(d) *Going Concern*

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the six-month period ended 31 December 2021, the Group made a loss of $9,557,038 which includes an impairment expense of $9,450,000 and had cash inflows from operating activities of $73,167.

As at 31 December 2021 the Group has cash and cash equivalents of $3,050,424, these funds will be used for ongoing exploration and operational activity over the next 12 months. The company has the ability to defer expenditure or divest assets if required.

(e) *Adoption of new and revised Accounting Standards*

For the half-year ended 31 December 2021, the Group has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

1. BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT (continued)

(f) Investment in Associate

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

After application of the equity method, the company determines whether it is necessary to recognise any additional impairment loss with respect to the company's net investment in the associate.

The company's share of the associate post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(g) Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual consolidated financial statements as at and for the year ended 30 June 2021.

Investments in associates

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. A holding of 20% or more of the voting power will indicate significant influence. They are accounted for using the equity method. The carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

Asset Acquisition

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a Black-Scholes model or Monte Carlo Pricing Model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Where performance rights are subject to vesting conditions, Management has formed judgments around the likelihood of vesting conditions being met.

2. SEGMENT REPORTING

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

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

3. REVENUE FROM SALES

	31 December 2021 $	31 December 2020 $
Oil & gas sales	**1,008,706**	632,691
Less: Royalties	**(224,712)**	(142,836)
Total Sales	**783,994**	489,855

4. INVESTMENT IN ASSOCIATE

The Group has a 55% interest in Valence Resources LLC (Valence) which has tenure over the Red Helium Project in the USA. It is a private entity that is not listed on any public exchange. Valence is operated under a management agreement providing joint control to Valence shareholders over the operations of Valence. The Group's initial interest in Valence of 25% arose from the acquisition of Kessel Resources Pty Ltd (refer Note 12). The Group acquired an additional 30% interest in Valence on 22 December 2021 taking the Group's current interest in Valence to 55%, with a right to earn an interest of up to 85% of Valence by drilling three wells costing US$1.5M each.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase acquisition and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included will be included in the capitalised cost of the asset. Valence is accounted for in the consolidated financial statements using the equity method. The carrying amount of the interest is made up of the amounts set out below:

Consideration	**$**
Equity instruments – 450,000,000 GGE shares	14,850,000
Equity instruments - 91,161,187 GGE shares	2,005,546
30,000,000 options exercisable @ $0.025 expiring 15 Oct 24	624,000
Cash consideration	400,000
Funds loaned to Kessel pre-acquisition to acquire interest in Valence	938,692
Total consideration	18,818,238
Impairment	(9,450,000)
Carrying amount	9,368,238

Impairment
The Red Helium project is at an early stage of development with the first exploration well due to be drilled in the second half of the June 2022 financial year. The helium market is small with few industry participants and helium prices are volatile. As a consequence, an early-stage exploration project such as the Red Helium Project is inherently difficult to value. GGE's share price when the acquisition of Kessel and the associated 25% share in Valence was announced was $0.012. The shares issued as consideration for the acquisition were issued on 15 October 2021 when the share price had risen to $0.033. The consideration shares for the subsequent acquisition of a further 30% share of Valence were issued on 21 December 2021when the GGE share price was $0.022. No other material activities of Grand Gulf had occurred over this period.

4. INVESTMENT IN JOINT VENTURE (continued)

Under accounting standards, if the value of a transaction is measured by the value of the consideration paid, the value of the shares must be determined by the share price on the date they were issued rather than when the issue was announced. GGE's share price when the initial acquisition of its interest in Valence was announced was $0.012, though increased to $0.033 when the shares were issued on 15 October 2021. While the value of the consideration paid was measured using a share price of $0.033, the value of the Group's initial interest in Valence was subsequently reassessed based on a GGE share price of $0.012 resulting in an impairment recognised in the period of $9,450,000.

Summarised financial information for investment in associate – Valence
The table below summarises the financial information for the investment in associate that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of Valence and not the Group's share of those amounts. Values have been amended to reflect adjustments, if any, made by Grand Gulf when using the equity method, including fair value adjustments.

	31 December 2021 $
Current assets	
Cash	660
Prepayments	22,630
	23,290
Non-current assets	
Gas properties	9,626,155
Net assets	9,649,445
Summarised statement of profit or loss and other comprehensive income	
Other income	121,826
Expenses	(219)
Profit before income tax	121,607
Income tax expense	-
Profit after income tax	121,607
Other comprehensive income	-
Total comprehensive income	121,607
Reconciliation of the consolidated entity's carrying amount	
GGE's (55%) share of profit after income tax	66,884
Reconciliation to carrying amounts:	
Opening net assets 15 October 2021	9,368,238
Foreign Exchange movement during the period	214,323
Profit for the period (55% share)	66,884
Closing net assets at 31 December	9,649,445

The Company may increase its interest in Valence from 55% to 85% by contributing US$4.5m to fund drilling of three exploration wells at the Red Helium Project costing US$1.5M each.

5. OIL AND GAS PROPERTIES

	31 December 2021 $	30 June 2021 $
Producing oil & gas assets	7,998,033	7,956,432
Acquisition	-	1,332
Provision for impairment and amortisation	(6,220,671)	(6,164,423)
	1,777,362	1,793,341
Carrying amount at beginning of period	1,793,341	2,072,286
Expenditure during the period	-	1,332
Foreign exchange difference	40,269	(173,852)
Amortisation	(56,248)	(106,425)
Carrying amount at end of period	1,777,362	1,793,341

6. CONTRIBUTED EQUITY

	31 December 2021 No.	30 June 2021 No.	31 December 2021 $	30 June 2021 $
Balance brought forward at the beginning of the period	383,749,478	383,749,478	40,377,570	40,377,570
Placement 13 September 2021	95,000,000	-	950,000	-
Placement 15 October 2021	235,000,000	-	2,350,000	-
Consideration for acquisition 15 October 2021 [i]	450,000,000	-	14,850,000	-
Share-based payment for capital raising 15 October 2021 [ii]	19,800,000	-	198,000	-
Share-based payment as prepayment to supplier 22 October 2021 [iii]	8,400,000	-	250,000	-
Consideration for acquisition 21 December 2021 [iv]	91,161,187	-	2,005,546	-
Share issue costs [v]	-	-	(877,980)	-
Balance carried forward at the end of the period	1,283,110,665	383,749,478	60,103,136	40,377,570

The Company made the following non-cash payments during the period:

(i) 450,000,000 shares issued as part-consideration to acquire Kessel Resources Ltd (refer Note 12);
(ii) 19,800,000 shares as payment of share issue costs;
(iii) 8,400,000 shares issued to a service provider; and
(iv) 91,161,187 shares issued as part-consideration to increase the Group's holding in Valence Resources LLC (refer Note 4).
(v) Includes share-based payments of $198,000 (which were issued to an advisor to the placements) referred to in [ii] and $624,000 in respect of options (refer Note 8), which were issued to an advisor to the placements and certain vendors of Kessel Resources Ltd.

7. RESERVES

	31 December 2021 $	30 June 2021 $
Share-based payment reserve		
Balance at the beginning of the period	2,016,337	2,016,337
Share-based payments to Directors (refer to note 8)	425,700	-
Share-based payments - share issue costs (refer to note 8)	624,000	-
Share-based payments – consideration for acquisition (refer to notes 8 and 12)	624,000	-
Balance at the end of the period	3,690,037	2,016,337
Option premium reserve		
Balance at the beginning and end of the period	676,800	676,800

8. SHARE-BASED PAYMENTS

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black-Scholes option valuation model taking into account the terms and conditions upon which the unlisted options were granted.

The fair value of Class A performance rights granted is estimated as at the date of grant using Monte Carlo simulation methodology to simulate the future Grand Gulf share price over the life of the performance rights. All Class A performance rights are assumed to be exercised immediately on vesting.

The fair value of Class B performance rights granted is estimated as at the date of grant using Black-Scholes option valuation model taking into account the terms and conditions upon which the performance rights were granted. The valuation was prepared by Stantons Corporate Finance Pty Ltd. The amount recognised is based on the number of performance rights that are expected to vest.

The table below lists the inputs to the valuation model used for share options and performance rights granted by the Group in the current period:

Options	
Number issued	60,000,000
Grant date	15 October 2021
Expiry date	15 October 2024
Expected life	3 years
Exercise price	$0.025
Share price at grant date	$0.033
Risk free rate	1.005%
Volatility	90%
Dividend yield	0%
Fair value at grant date per option	$0.0208
Fair value issued	$1,248,000
Included in share issue costs (30,000,000 options) (refer Note 6)	$624,000
Included in acquisition consideration (30,000,000 options) (refer note 12)	$624,000

The options vested immediately on grant date.

Performance Rights	Class A(i)	Class B(ii)
Number issued to Directors	27,500,000	27,500,000
Number issued as part of acquisition of Kessel Resources Pty Ltd (refer Note 12)	-	100,000,000
Grant date	11 October 2021	11 October 2021
Expiry date	11 October 2026	11 October 2026
Expected life	5 years	5 years
Share price at grant date	$0.0345	$0.0345
Risk free rate	1.005%	1.005%
Volatility	90%	90%
Fair value at grant date	$0.0344	$0.0345

(i) The Class A performance rights will vest if the VWAP of GGE shares trading on the ASX is at least 3 cents over 20 consecutive trading days within 5 years of issue date.
(ii) The Class B performance rights will vest upon the sale of the first 4 million cubic feet gross helium produced from the Utah Leases within 5 years of issue date (part of the Red Helium Project).

A share-based payment of $425,700 was recognised during the period in respect of Class A performance rights issued to Directors and $nil in respect of Class B performance rights issued to Directors.

Given the early stage of the Red Helium Project, with no drilling yet completed, it is not possible to predict if the production hurdle required for the Class B performance rights will be met, hence a vesting factor of nil has been applied in determining the value of these rights. The vesting factor will be reviewed at each subsequent period end and the value of the Class B performance Rights and corresponding expense adjusted if appropriate.

9. CONTINGENCIES

There have been no changes to contingent assets or liabilities since 30 June 2021.

10. RELATED PARTIES

The following performance rights were issued to Directors during the period:

	K Martens	M Freeman	C Burton	Total
Class A[(i)]	15,000,000	10,000,000	2,500,000	27,500,000
Class B[(i)]	15,000,000	10,000,000	2,500,000	27,500,000

(i) Refer to Note 8 for details of performance rights

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

11. COMMITMENTS

There have been no changes to the commitments, from those disclosed in the 30 June 2021 financial statements.

12. ASSET ACQUISITION

Kessel Resources Pty Ltd (***Kessel***)

The Company announced a binding agreement to acquire 100% of the issued share capital of Kessel Resources Pty Ltd on 2 September 2021.

The principal assets of Kessel at the date of acquisition was a 25% share in Valence Resources LLC and a right to acquire up to 70% of Valence, whose principal asset is exploration information in and tenure over the Red Helium Project in USA. Kessel has no operating assets hence the acquisition has been accounted for as an acquisition of an asset rather than as a business combination as defined in AASB 3 *Business Combinations*.

Consideration for the transaction consisted of:

- 450 million GGE shares;
- 100 million performance shares that convert to GGE shares on a one for one basis if 4 million ft^3 of helium is produced and sold from the Red Helium Project by 15 October 2025; and
- 30 million options exercisable at 2.5 cents per share on or before 15 October 2024.

GGE subsequently announced on 15 October 2021 the acquisition of Kessel had been completed following shareholder approval of the transaction on 11 October 2021 and issued the shares and performance shares to Kessel shareholders on 15 October 2021.

The Company may increase its interest in Valence from 55% to 85% by contributing US$4.5m to fund drilling of three exploration wells at the Red Helium Project costing US$1.5M each.

A royalty is payable to landowners regarding any production from the Red Helium Project. The royalty has not been recognised as the fair value is deemed to be nil as a result of the early stage of the project.

12. ASSET ACQUISITION (continued)

Details of the acquisition are as follows:

Consideration	$
Equity instruments:	
450,000,000 GGE shares	14,850,000
30,000,000 Options exercisable at $0.025 expiring 15 October 2024 (refer Note 8)	624,000
Performance shares[i]	-
Loan provided in cash	938,692
	16,412,692
Impairment	(9,450,000)
Total consideration	6,962,692

(i) Performance shares issued were assigned a 0% probability as the achievement of the milestones was assessed as not probable at acquisition date, hence no value has been attributed to the performance rights.

(ii) The Group acquired an additional 30% interest in Valence on 2 December 2021 for additional consideration of $2,405,546 paid in cash and shares (refer to Note 4).

Net cash flow attributable to the acquisition:	
Cash and cash equivalent balance acquired	25,572
Less: cash consideration paid	-
Net cash inflow	25,572

Provisional fair value
Details of the fair value at the date of acquisition are set out as follows:

	$
Current assets	
Cash and cash equivalents	25,572
Non-current assets	
Investment in associate	10,281,364
Total assets	10,306,936
Current liabilities	
Payables	(6)
Loan from GGE	(938,692)
Total liabilities	(938,698)
Fair value of net assets acquired	9,368,238

13. DIVIDENDS

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

14. EVENTS SUBSEQUENT TO REPORTING DATE

Mr Dane Lance was appointed as Managing Director on 23 February 2022. Mr Lance will be issued the following performance rights, subject to shareholder approval:

- 10,000,000 Class B performance rights vesting upon the earlier of sale of the first 4 million cubic feet of gas gross helium produced from the Red Helium Project leases and continued engagement with the Company for 6 months. The securities expire on or before 15/10/2025 and each Performance Share will convert on a one for one basis into an Ordinary Share;
- 10,000,000 options exercisable at 7 cents on or before 4 years from issue and subject to continued engagement with the Company for 6 months; and
- 20,000,000 Class C Performance Rights vesting upon the sale of the first 100 MMCF gross helium produced from the Utah Leases and subject to continued service as a Director, consultant or employee of the Company for a period of at least 12 months.

A drilling contract was signed in March 2022 to drill the Jesse#1 well at the Red Helium project. The total costs to drill, evaluate and flow test Jesse#1 are estimated at US$1.6M with an expected spud date of mid-April 2022. Grand Gulf is liable for the first US$1.5M of Jesse#1 costs, which will earn the Company a 70% working interest in the JV Operator, Valence Resources LLC, with any costs incurred post this split on a 70/30 basis with Four Corners Helium LLC.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and, while it has not significantly impacted the entity up to 31 December 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 matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

The directors of the consolidated entity declare that:

1. The financial statements and notes, as set out on pages 8 to 20 are in accordance with the Corporations Act 2001:

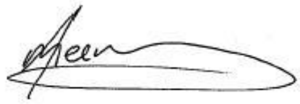
    a. give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

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

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

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

On behalf of the Directors



Mark Freeman
Director

Perth, 14 March 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Grand Gulf Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Grand Gulf Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 14 March 2022