



**FINANCIAL INFORMATION AND DISCLOSURE STATEMENT  
FOR THE QUARTER ENDED MARCH 31, 2009**

**INFORMATION AND DISCLOSURE STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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## Part A: General Company Information

### Item 1 Exact name of the issuer and its predecessor:

Gulf Alternative Energy Corporation (“GAEC”)  
(Formerly Gulf Ethanol, Inc. – changed 3/24/09)  
(Formerly US Development Corporation – changed 6/2/06)  
(Formerly Land Investors of America, Inc. – changed 11/22/04)

### Item 2 The address of its principle executive offices.

1240 Blalock Road., Suite 200  
Houston, Texas 77055  
Telephone: 713-463-9229  
URL: <http://www.gulfalternativeenergy.com/>

### Item 3 The state and date of incorporation

We were incorporation in the State of Oklahoma in 2003.

## Part B: Share Structure

### Item 4 The exact title and class of each class of securities outstanding.

Symbol	Title	Security	CUSIP
GAEC	Gulf Alternative Energy Corporation	Common	40227P107
None	Gulf Alternative Energy Corporation	Convertible Preferred	n/a

### Item 5 Par or stated value and description of the security

Name	Par Value	Description of rights
Common stock	\$0.0001	Voting common stock

### Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized.

Period End Date	Shares Authorized	Shares Outstanding	Freely Tradable Shares	No. of Beneficial Shareholders	Shareholders of Record <sup>(1)</sup>
<b>GFET – Gulf Alternative Energy Corporation Common Stock</b>					
03/31/09	100,000,000	2,599,317	2,078,481	2	27
12/31/08	100,000,000	2,529,317	737,751	2	28
12/31/07	100,000,000	1,960,647	675,533	3	33

(1) Does not include shares held in street names

## Part C: Business Information

### Item 7 Transfer Agent.

Transfer Online, Inc.  
317 SW Alder Street, 2nd Floor  
Portland, OR 97204

Transfer Online is registered under the Exchange Act and is regulated by the Securities and Exchange Commission.

**Item 8            The nature of the issuer's business.**

*State and date of incorporation*

Gulf Alternative Energy Corporation was incorporated in the State of Oklahoma in 2003.

*Fiscal periods*

Our accounting period is the calendar year.

*Bankruptcy proceedings*

We have not been in bankruptcy proceedings.

*Defaults on notes, leases or other obligations*

None.

*Change of control*

In February, 2007, the Company issued 1 million shares to ten accredited investors under Rule 504 of Regulation D of the Securities Act of 1933. The purpose for this issuance was to change control of the corporation to the new investor group.

*Increase in 10% or more of the same class of outstanding equity securities*

The number of shares of our common stock issued and outstanding increased 175% in February, 2007, as a result of the change in control.

*Stock splits, recapitalizations, stock dividends and other reorganizations*

In February, 2007, the Company issued 1 million shares to seven accredited investors under Rule 504 of Regulation D of the Securities Act of 1933. The purpose for this issuance was to change control of the corporation to the new investor group.

On January 13, 2009, the Company undertook a 1:20 reverse split of our common stock. All references to shares issued and outstanding in this report are stated in their pre reverse split amounts.

*De-listings from and Securities Exchanges*

None.

*Legal proceedings*

None

*Our business*

Gulf Alternative Energy is a development stage company and had no operating revenues for the period from re-entry to the development stage to March 31, 2009. Our business plan over the next twelve months consists primarily of developing and constructing cellulosic ethanol feedstock manufacturing technologies with particular emphasis on Texas and the Gulf Coast.

During the second quarter of 2008, we changed our focus to developing our Cellulosic Biomass Pre-processing System. This technology processes raw biomass feedstocks into an extremely fine powder which we hope will allow cellulosic ethanol producers to increase the net ethanol yield and efficiencies of ethanol production, thereby easing the demand on corn as the primary feedstock for ethanol. We are currently in the development stage.

We have never been a “shell company” as defined in Pink OTC Markets *Guidelines for Providing Adequate Current Information*, Version 9.5, and Updated May 6, 2008.

We have no subsidiaries and no parent companies.

#### *Employees*

We have no full-time or part-time employees. From time to time we engage independent contractors to perform certain engineering, regulatory, legal and financial tasks on our behalf.

#### **Item 9                    The nature of products and services offered.**

We are developing a Cellulosic Biomass Pre-processing System. This technology processes raw biomass feedstocks into an extremely fine powder which we hope will allow cellulosic ethanol producers to increase the net ethanol yield and efficiencies of ethanol production, thereby easing the demand on corn as the primary feedstock for ethanol. The ownership and distribution rights of this technology are discussed in Note 7 to the financial statements.

#### **Item 10                The nature and extent of the issuer’s facilities**

We lease approximately 2,800 square feet of office space in Houston, Texas for which we pay a monthly rental of \$3,528. This lease runs through March 31, 2010.

### **Part D:                Management Structure**

#### **Item 11                The name of the chief executive officer and members of the board of directors.**

##### A. Officers and Directors

Executive Officer & Sole Director:  
Kathleen Delaney: Chairman and CEO  
1240 Blalock Road, Suite 110, Houston, TX, 77057

Kathleen Delaney - Executive Officer & Sole Director

Ms. Delaney has been an attorney representing personal and corporate clients on a wide range of matters for the last ten years. Ms. Delaney receives a salary of \$1,750 per month from the Company. Ms. Delaney does not own any shares of the Company’s Stock.

##### B. Legal/Disciplinary History

During the past five years, none of our directors, executive officers or persons that may be deemed promoters is currently or have been involved in any legal proceeding concerning (i) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (ii) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (iii) being subject to any order, judgment or decree, not subsequently reversed, suspended, or vacated, of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting involvement in any type of business, securities or banking activity; or (iv) being found by a court, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law (and the judgment has not been reversed, suspended or vacated).

C. Disclosure of Family Relationships

There are no relationships with any director or shareholder of the Issuer.

D. Disclosure of Related Party Transactions

None.

E. Disclosure of Conflicts of Interest

None.

**Item 12 Financial information**

See attached financial information in Exhibit A.

**Item 13 Financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.**

We re-entered the development stage on February 13, 2007 when the current management team acquired control of the Company as described in Note 3 to these financial statements.

The financial statements for the years ended December 31, 2008 and 2007 are hereby incorporated by reference and can be found:

For the 2008 annual report: <http://pinksheets.com/otciq/ajax/showFinancialReportById.pdf?id=20995>

For the 2007 annual report: <http://pinksheets.com/otciq/ajax/showFinancialReportById.pdf?id=14434>

**Item 14 Beneficial Owners**

<b>Name</b>	<b>No. of Shares Owned</b>	<b>Percent of Total</b>
Firemark Capital, LLC <sup>(1)</sup>		
Manager & Resident Agent, Unknown to Company	4,557,260	9.0%
IBIS Energy, LLC <sup>(2)</sup>		
Manager & Resident Agent, Unknown to Company	4,755,420	9.4%

(1) The Company believes the certificate representing these shares was seized by the Texas Attorney General's Office during a 2007 investigation. As of the date of this report the location and disposition of these shares is unknown, however, the Company can confirm that the shares have not been transferred and have not been presented to the transfer agent for transfer.

(2) The Company believes the certificate representing these shares was seized by the Texas Attorney General's Office during a 2007 investigation. As of the date of this report the location and disposition of these shares is unknown, however, the Company can confirm that the shares have not been transferred and have not been presented to the transfer agent for transfer.

**Item 15**            **The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure:**

1.        *Investment Banker*

None.

2.        *Promoters*

None.

3.        *Counsel*

The Law Offices of Jean-Pierre & Jean-Pierre, LLC  
23150C Sandalfoot Plaza Dr.  
Boca Raton, FL 33428  
Tel: 561-852-5440  
Fax:561-634-2132

4.        *Accountant or Auditor*

M&K CPAS, PLLC  
13831 Northwest Freeway, Suite 300  
Houston, Texas 77040  
Phone: 832.242.9950  
Fax: 832.242.9956

5.        *Public Relations Consultant*

The Issuer does not retain the services of a Public Relations firm at this time.

6.        *Investor Relations Consultant*

None.

7.        *Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement - the information shall include the telephone number and email address of each advisor.*

None.

**Item 16**            **Management's Discussion and Analysis or Plan of Operation**

A.        *Plan of operation*

Gulf Alternative Energy Corporation is an alternative energy company focused on the development of technology for the cellulosic ethanol industry with a particular emphasis on Texas and the Gulf Coast

We are an alternative-energy, development-stage company and had no operating revenues from re-entry to the development stage (February 13, 2007) to March 31, 2009. Our business plan consists primarily of developing and constructing ethanol cellulosic feedstock manufacturing facilities with particular emphasis on Texas and the Gulf Coast.

We do not have enough cash to satisfy our capital requirements for the next twelve months and we rely on shareholder loans and sales of common stock to pay our operating and research and development expenses.

*B. Management's Discussion and Analysis of Financial Condition and Results of Operation*

We currently have few assets and no income. We are continuing to develop our cellulosic ethanol feedstock manufacturing facilities.

Comparison of Net Income for the Quarters Ended March 31, 2009 and 2008

Our general and administrative expenses decreased from \$69,225 for the quarter ended March 31, 2008 to \$25,947 for the same period in 2009. The principal reason for this was a reduction of employee compensation expense.

Our interest expense remained fairly constant for the quarter ended March 31, 2009 versus the same period in 2009. Our debt at March 31, 2009 is comparable to that owed at March 31, 2008 due to related-party creditors' converting their debt to equity during 2008.

*C. Off Balance Sheet Arrangements*

None.

**PART E: ISSUANCE HISTORY**

**Item 17 List of securities offerings and shares issued for services in the past two years**

Note 3 to the financial statements found in Exhibit A contain a description of the common stock transactions 2008 and 2009.

**PART F: EXHIBITS**

**Exhibit A Financial Statements**

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**GULF ALTERNATIVE ENERGY CORPORATION**  
**(Formerly Gulf Ethanol Corp)**  
**A DEVELOPMENT STAGE ENTERPRISE**

	March 31,	
	2009 (Unaudited)	2008 (Unaudited)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 31,375	\$ 150
<b>TOTAL CURRENT ASSETS</b>	<b>31,375</b>	<b>150</b>
Prepaid expenses	14,905	14,905
<b>TOTAL ASSETS</b>	<b>\$ 46,280</b>	<b>\$ 15,055</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	66,456	78,265
Loans and accrued interest from related parties	301,484	241,100
<b>TOTAL CURRENT LIABILITIES</b>	<b>367,940</b>	<b>319,365</b>
<b>TOTAL LIABILITIES</b>	<b>367,940</b>	<b>319,365</b>
<b>SHAREHOLDERS' DEFICIT</b>		
Preferred stock, par value \$0.001, authorized 10 million shares, 4,900,000 and zero shares issued and outstanding at December 31, 2008 and 2007, respectively.	96,000	98,000
Common stock, par value \$0.0001, authorized 100 million, 2,599,317 and 1,960,647 issued and outstanding at March 31, 2009 and December 31, 2008, respectively.	260	253
Additional paid-in capital	4,731,930	4,717,393
Deficit accumulated from prior operations	(124,025)	(124,025)
Deficit accumulated during the development phase	(5,025,825)	(4,995,931)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<b>(321,660)</b>	<b>(304,310)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<b>\$ 46,280</b>	<b>\$ 15,055</b>

See the accompanying summary of accounting policies and notes to the financial statements.

**GULF ALTERNATIVE ENERGY CORPORATION**  
**(Formerly Gulf Ethanol Corp)**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**STATEMENTS OF OPERATIONS**

	Quarter Ended March 31,		From Re-
	2009	2008	Entering the Development Stage (2/13/07) to 03/31/09
Revenues	\$ -	\$ -	\$ -
General and administrative expenses	25,947	69,225	4,786,851
Research and development	-	-	163,511
Impairment of joint venture	-	-	50,000
Bad debt expense	-	-	13,302
Net operating loss	<u>(25,947)</u>	<u>(69,225)</u>	<u>(5,013,664)</u>
Other income/(loss)			
Forgiveness of debt income		18,165	18,165
Interest expense, related parties	<u>(3,947)</u>	<u>(3,743)</u>	<u>(30,326)</u>
<b>NET LOSS</b>	<b><u>\$ (29,894)</u></b>	<b><u>\$ (54,803)</u></b>	<b><u>\$ (5,025,825)</u></b>
Weighted average shares outstanding	\$ (0.01)	\$ (0.03)	
Basic and fully diluted loss per share	2,588,317	1,959,542	

See the accompanying summary of accounting policies and notes to the financial statements.

**GULF ALTERNATIVE ENERGY CORPORATION**  
**(Formerly Gulf Ethanol Corp)**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**STATEMENTS OF CASH FLOWS**

	<b>Quarter Ended March 31,</b>		<b>From Re-</b>
	<b>2009</b>	<b>2008</b>	<b>entering the</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>Development</b>
			<b>Stage (2/13/07)</b>
			<b>to 03/31/08</b>
			<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Loss	\$ (29,894)	\$ (54,803)	\$ (5,025,25)
Adjustments to reconcile net loss to net cash used by operating activities:			
Stock-based compensation	11,995		4,144,425
Impairment of joint venture	-		50,000
Bad debt expense	-		13,302
Forgiveness of debt income	-	(18,165)	-
Changes in operating assets and liabilities:			
Deposits and prepaid expenses	-	-	(14,905)
Accounts payable and accrued expenses	(11,804)	(4,379)	51,476
Interest accrued to related parties	3,947	3,743	44,547
Net cash used by operating activities	<u>(25,756)</u>	<u>(73,604)</u>	<u>(736,980)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash paid for joint venture	<u>-</u>	<u>-</u>	<u>(50,000)</u>
Net cash provided/(used) by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loans from related parties	56,981	66,500	568,481
Common stock issued for cash	-	-	194,750
Cash received upon exercise of options	<u>-</u>	<u>-</u>	<u>600</u>
Net cash provided by financing activities	<u>56,981</u>	<u>66,500</u>	<u>763,831</u>
<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>31,225</b>	<b>(7,104)</b>	<b>(23,149)</b>
Cash at beginning of period	150	13,140	54,524
Cash at end of period	31,375	6,036	31,375

See the accompanying summary of accounting policies and notes to the financial statements.

**GULF ALTERNATIVE ENERGY CORPORATION**  
**(Formerly Gulf Ethanol Corp)**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FROM JANUARY 1, 2007 TO DECEMBER 31, 2008**

	<u>Common Stock</u>		<u>Class A Preferred Stock</u>		Additional Paid In Capital	Deficit Accum'd During the Development Stage	Deficit Accum'd from Prior Operations	Total	
	Date	No. of Shares	At Par Value	Shares					Amount
Balances, December 31, 2006		660,647	\$ 66		\$ 213,700	\$ -	\$ (160,925)	\$ 52,841	
Shares issued for cash	02/13/07	1,000,000	100		1,900			2,000	
Options grants	02/13/07		-		3,899,430			3,899,430	
Exercise of options	11/30/07	300,000	30		570			600	
Net loss, 12 months ended 12/31/07						(4,221,570)		(4,221,570)	
Balances, December 31, 2007		1,960,647	196	-	-	4,115,600	(4,221,570)	(160,925)	(266,699)

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**GULF ALTERNATIVE ENERGY CORPORATION**  
**(Formerly Gulf Ethanol Corp)**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FROM JANUARY 1, 2007 TO DECEMBER 31, 2008**  
**(Continued)**

	Date	Common Stock		Class A Preferred Stock		Additional Paid In Capital	Deficit Accum'd During the Development Stage	Deficit Accum'd from Prior Operations	Total
		No. of Shares	At Par Value	Shares	Amount				
Retirement of previously issued shares	01/24/08	(1,500)	-			(36,900)		36,900	-
Shares issued for cash:									
	06/25/08	4,000	-			12,000			12,000
	06/26/08	5,000	1			15,000			15,000
	07/15/08	5,671	1			16,999			17,000
	08/06/08	20,000	2			9,998			10,000
	08/08/08	37,500	4			18,746			18,750
	08/08/08	5,000	1			5,000			5,000
	08/11/08	5,000	1			5,000			5,000
	08/11/08	15,000	2			14,999			15,000
	08/22/08	25,000	3			24,998			25,000
	08/22/08	25,000	3			24,998			25,000
	09/12/08	20,000	2			19,998			20,000
	10/29/08	20,000	2			9,998			10,000
	11/24/08	30,000	3			14,997			15,000
Shares issued for services	08/01/08	100,000	10			199,990			200,000
	08/05/08	10,000	1			23,999			24,000
Shares issued for board remuneration	09/12/08	18,000	2			8,998			9,000
Shares issued for debt conversion	09/22/08	100,000	10			239,990			240,000
	11/25/08	125,000	13			224,998			225,000
	12/17/08			4,900,000	98,000	1,372,000			1,470,000
Related-party loss in debt to equity conversion						(1,624,000)			
Net loss, 12 months ended 12/31/08							(774,361)		(2,398,361)
Balances, December 31, 2008		2,529,317	253	4,900,000	98,000	4,717,393	(4,995,931)	(124,025)	(304,310)

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**GULF ALTERNATIVE ENERGY CORPORATION**  
**(Formerly Gulf Ethanol Corp)**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FROM JANUARY 1, 2007 TO DECEMBER 31, 2008**  
**(Continued)**

	Date	Common Stock		Class A Preferred Stock		Additional Paid In Capital	Deficit Accum'd During the Development Stage	Deficit Accum'd from Prior Operations	Total
		No. of Shares	At Par Value	Shares	Amount				
Shares issued for services	01/12/09	20,000	2			11,993			11,995
Conversion of preferred stock to common	01/15/09	50,000	5	(100,000)	(2,000)	2,000			5
Imputed interest on related party note						544			544
Net loss, three months ended 03/31/09							(29,894)		(29,894)
Balances, December 31, 2008		2,599,317	260	4,800,000	96,000	4,731,930	(5,025,825)	(124,025)	(321,660)

See the accompanying summary of accounting policies and notes to the financial statements.

**GULF ALTERNATIVE ENERGY CORPORATION**  
**(Formerly Gulf Ethanol Corp)**  
**A DEVELOPMENT STAGE ENTERPRISE**  
**NOTES TO FINANCIAL STATEMENTS**

*NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS*

Gulf Alternative Energy Corp, (a Development Stage Company) (“Gulf”, the “Company”, “we” or “us”), was incorporated in the State of Oklahoma on February 26, 2003. Our common stock is traded on the Pink Sheets under the symbol GAEC.

We are an alternative-energy, development-stage company and had no operating revenues from re-entry to the development stage (February 13, 2007) to March 31, 2009. Our business plan consists primarily of developing and constructing ethanol cellulosic feedstock manufacturing facilities with particular emphasis on Texas and the Gulf Coast.

During the second quarter of 2008, we changed our focus to developing our Cellulosic Biomass Pre-processing System. This technology processes raw biomass feedstocks into an extremely fine powder which we hope will allow cellulosic ethanol producers to increase the net ethanol yield and efficiencies of ethanol production, thereby easing the demand on corn as the primary feedstock for ethanol. The ownership and distribution rights of this technology are discussed in Note 7 to the financial statements.

In February, 2007, our board of directors authorized the issuance of 20 million shares pursuant to our registration under Rule 504 of Regulation D of the Securities Act of 1933. With the change in control of the Company and resulting change in the business plan, we have deemed ourselves a Development Stage Company and will report, until we have significant revenues, as a Development Stage Entity under FASB Statement No. 7 - *Accounting and Reporting by Development Stage Enterprises*.

**Summary of Significant Accounting Policies**

Basis of Presentation – These financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”).

Cash and Cash Equivalents -- For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2008, there were no cash equivalents.

Impairment of Long-Lived Assets – We review the carrying value of our long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. We assess recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset’s carrying value and fair value.

Revenue Recognition – We recognize revenue when persuasive evidence of an arrangement exists, product has been shipped to the customer, the sales price is fixed or determinable, and collectability is reasonably assured.

Stock-based compensation - We adopted the disclosure requirements of Financial Accounting Standard No. 123R, Accounting for Stock-Based Compensation (FAS No. 123R) and FAS No. 148 with respect to pro forma disclosure of compensation expense for options issued. For purposes of the pro forma disclosures, the fair value of each option grant is estimated on the grant date using the Black-Scholes option-pricing model.

Use of Estimates - In preparing financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities in the balance sheet and revenue and expenses in the statement of expenses. Actual results could differ from those estimates.

Basic and diluted net loss per share -- The basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities.

Concentrations of Credit Risk - Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and receivables. The Company places its cash with high credit quality financial institutions. At times, such amounts may exceed the FDIC limits; however, these deposits typically may be redeemed upon demand and therefore bear minimal risk. In monitoring this credit risk, the Company periodically evaluates the stability of the financial institutions.

Income taxes— We recognize deferred tax assets and liabilities based on differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates that are expected to be in effect when the differences are expected to be recovered. We provide a valuation allowance for deferred tax assets for which we do not consider realization of such assets to be more likely than not. The Company does not expect the adoption of FAS 159 to have an effect on its financial statements.

#### *NOTE 2 – GOING CONCERN*

The accompanying financial statements have been prepared assuming that Gulf will continue as a going concern. As shown in the accompanying financial statements, Gulf suffered continuing losses and has an accumulated deficit during the development stage of \$5,025,828 as of March 31, 2009 and a working capital deficit of \$336,565 at March 31, 2009. These conditions raise substantial doubt as to Gulf's ability to continue as a going concern. The financial statements do not include any adjustments that might be necessary if Gulf is unable to continue as a going concern. Management intends to finance these deficits by selling its common stock.

#### *NOTE 3 – STOCKHOLDERS' EQUITY*

The Company is authorized to issue 100 million shares of common stock. At March 31, 2009, we had 2,599,317 shares of our capital stock outstanding. On March 24, 2009 we undertook a 1:20 reverse stock split. All references to the number of shares in this report reflect this reverse split.

Additionally, the Company is authorized to issue 10 million shares of Class A convertible preferred stock, 4,900,000 of which is issued and outstanding as of December 31, 2008. The stock has a par value of \$0.001, has liquidation preference over the Company's common stock, and can be converted, at the option of the holder, into 10 shares of the Company's common stock. As of March 31, 2009, 100,000 of these shares have been converted into 50,000 shares of common stock.

#### **Stock Transactions During 2008**

On January 24, 2008, we retired 1,500 common shares returned to us by a shareholder upon our request of them to do so. We accounted for this retirement by reducing the Common Stock and Additional Paid in Capital accounts for the closing price on the date of retirement and reducing Accumulated Deficit During the Development Stage by a like amount.

During 2008, we issued 217,171 shares of our common stock in exchange for cash pursuant to Rule 504 of Regulation D of the Securities Act of 1933 at prices varying from \$0.50 per share to \$3.00 per share. We received \$192,750 in cash from these private placements.

We issued 100,000 shares of our common stock to a consultant in exchange for a one-year consulting agreement. We valued these shares at the closing price on the date of issuance and recognized \$200,000 in expense.

We issued 10,000 shares to our Chief Executive Officer pursuant to his employment agreement for meeting certain milestones. We value the shares at the closing price on the grant date and recognized \$24,000 of expense.

We issued 18,000 shares of our common stock to our board members as compensation for their services. We valued these shares at the closing price on the date of issuance and recognized \$9,000 in expense.

We issued 225,000 common shares to a principal shareholder in exchange for the extinguishment of \$213,000 in principal and interest due. We valued these shares at \$465,000 based on the closing price on the date of issuance and recorded a reduction of interest and principal of \$213,000 and an additional \$252,000 loss on conversion of debt to equity which, as a related-party transaction, was recorded as a reduction of Additional Paid In Capital.

We issued 4,900,000 shares of Class A preferred stock to a principal shareholder in exchange for a reduction in his interest and principal in the amount of \$98,000. We valued the preferred stock at a per share price ten times the closing price of our common stock on the date of issuance, or \$1,470,000. We recognized a loss on conversion of debt to equity of \$1,372,000 which, as a related party, was recorded as a reduction of Additional Paid In Capital.

### **Stock Transactions During 2009**

We issued 20,000 shares to a consultant pursuant to a consulting agreement. We valued the shares based on the closing price on the grant date and recorded expenses of \$11,995.

We issued 50,000 shares upon conversion of a holder of 100,000 Class A Convertible Preferred shares.

#### *NOTE 4 – OPTIONS AND WARRANTS*

On February 13, 2007 we granted options to two shareholders who were included in the original offering, to purchase up to an additional 300,000 shares. These options had an exercise price equal to the par value of the common shares (\$0.0001) and must be exercised within one year. We valued these options using the Black-Scholes model using a computed volatility of 172%, and a risk-free rate of 5.1%. This resulted in a charge to general and administrative expense of \$3,899,430.

As of December 31, 2007, all of the 300,000 options had been exercised, resulting in a cash receipt of \$600.

No other options or warrants were granted for the for the period January 1, 2007 through March 31, 2009 . The only dilutive securities outstanding at March 31, 2009 are the Class A convertible preferred shares described in Note 3.

#### *NOTE 5 – JOINT VENTURE AGREEMENT WITH MERIDIAN BIOREFINING*

In December, 2007, we signed a Joint Venture Agreement (“the Agreement”) with Meridian Biorefining Corporation (“Meridian”) to establish a joint venture to develop a biomass ethanol feedstock technology. Under the terms of this agreement, we were to fund \$100,000 in development costs with one payment of \$50,000 due upon closing and an additional \$50,000 due on January 10, 2008.

Additionally, Meridian was to receive 250,000 shares of our common stock upon the achievement of milestones as follows: 50,000 shares upon the completion of the first operational machine test; 50,000 shares upon the first successful production of cellulosic feedstock; 75,000 shares upon the completion of the first phase of testing of multiple ethanol feedstock and; 75,000 shares upon the completion of an integrated ethanol plant design.

On December 11, 2007, we paid the first tranche of \$50,000. However, subsequently a dispute arose over the progress of the development of the machinery to produce the feedstock. We therefore withheld the second payment until the dispute could be resolved.

On January 14, 2008, we received a Notice of Dissolution of the Joint Venture (the "Notice") from the legal counsel representing Meridian, dissolving the joint venture for failure to make the second tranche of the agreement.

Both we and Meridian now consider the joint venture dissolved. We have therefore, fully reserved our cash investment of \$50,000 and removed our obligation to Meridian for the second \$50,000 tranche.

#### *NOTE 6 – LOANS FROM RELATED PARTIES*

##### **Loans Made During 2008**

During 2008, to continue funding our operating and research and development expenses, certain shareholders contributed cash totaling \$276,222. We issued these shareholders notes bearing 6% simple interest and which are callable by the maker at any time. For the twelve months ended December 31, 2008, we accrued \$22,943 in interest. As of December 31, 2008, we have not made any interest or principal payments on these notes or the notes issued in 2007, discussed in the previous paragraph.

##### **Loans Made During 2009**

During the three months ended March 31, 2009, certain shareholders contributed cash totaling \$56,981. These loans were not made pursuant to an interest-bearing note. We therefore imputed \$544 in interest on these loans to Additional Paid in Capital.

##### **Conversions of Notes Payable to Equity**

As is more thoroughly discussed in Note 3, during 2008, certain shareholders converted \$311,000 of accrued interest and principal on certain notes payable into common and preferred stock. We recorded a loss on conversion of debt to equity in the amount of \$1,624,000 on these transactions and reduced Additional Paid in Capital as a result of these losses.

#### *NOTE 7 – ETHANOL PRE-PROCESSING SYSTEM RIGHTS AND OBLIGATIONS*

On April 2, 2008, we entered into an agreement with Vortex Ventures, Inc. ("Vortex"), a Texas manufacturer of blending and mixing equipment, to establish the rights and obligations of the company and Vortex with respect to the jointly-developed Cellulosic Biomass Pre-Processing System. Under the terms of this agreement, Vortex is to retain the patent to the intellectual property and we are appointed the exclusive world-wide distributor for the sale, distribution and servicing of products resulting from all ethanol feedstock applications.

#### *NOTE 8 – RELATED PARTY TRANSACTIONS*

As explained in Note 6, the Company has funded its operations through loans from shareholders.

As is more thoroughly discussed in Note 3, certain shareholders converted \$311,000 of accrued interest and principal on certain notes payable into common and preferred stock. We recorded a loss on conversion of debt to equity in the amount of \$1,624,000 on these transactions which was charged to Additional Paid in Capital.

At certain times throughout 2008, the Company raised operating capital by issuing common stock pursuant to Rule 504 of Regulation D of the Securities Act of 1933. Some of these transactions were with shareholders of the Company. For the year ended December 31, 2008, shareholders contributed \$129,000 in cash and were issued 134,667 shares in return.

On August 5, 2008, we issued 10,000 shares to our Chief Executive Officer as a milestone bonus pursuant to our employment agreement with him. The milestone achieved was the first operational machine test of the cellulosic preprocessor which we achieved in July, 2008. We valued these shares at the closing price on the date of issuance and recognized a cost of \$24,000 in general and administrative expenses.

On September 12, 2008 we issued 18,000 shares to a board member for compensation. We valued these shares at the closing price on the date of issuance and recognized \$9,000 in general and administrative expenses.

**Item 18 Material Contracts**

None.

**Item 19 Articles of Incorporation and Bylaws**

The Articles of Incorporation of the Company can be found at (<http://pinksheets.com/otciq/ajax/showFinancialReportById.pdf?id=11632>) and are hereby incorporated by reference.

The Bylaws of the Company can be found at (<http://pinksheets.com/otciq/ajax/showFinancialReportById.pdf?id=11633>) and are hereby incorporated by reference.

**Item 20 Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

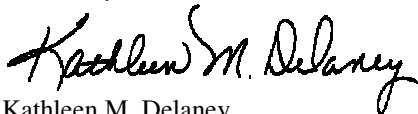
None.

**Item 21 Certifications**

I, Kathleen Delaney, certify that:

1. I have reviewed this Annual disclosure statement of Gulf Alternative Energy Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in the disclosure statement.

Date: July 28, 2009



Kathleen M. Delaney  
Chairman & CEO