



# greenaways

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Annual Report 2006

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## 1. Corporate Statement

Gold Oil Plc is an oil and natural gas exploration and exploitation company focused on Central and Southern America, and is listed on the Alternative Investment Market (AIM) operated by the London Stock Exchange.

The Company aims to have a balanced portfolio of high risk high reward and low risk cash flow projects by establishing significant licence positions concentrated in a few areas. Value will be added by blending expert local technical, commercial and legal knowledge with the latest geophysical, drilling and completion technologies. The company has used its competitive advantage in north-western Perú, where acreage has been acquired both onshore and offshore, in Colombia with workovers of onshore fields abandoned by the majors because of low oil prices and materiality to them and also onshore Brazil.

The Company has an experienced and highly competent management and technical team and valuable allies in the region who have developed good relationships with the authorities and oil and industry specialists.

## 2. HSE Statement

Even though the Company is small, Health, Safety and Environment concerns are at the forefront of the Company's approach to its business. Incidents and accidents are preventable, and all staff and contractors active in our areas of activity are expected to adhere to this philosophy.

## 3. Highlights

- The conversion of the Block XI permit to a long term Exploration Licence (30 years for oil and 40 years for gas), now named Block XXI on which we have drilled our first well
- Detailed geological analysis including the continued success by Petrotech in the offshore San Pedro field has highlighted the high potential of Block XXI
- The qualification as an offshore operator was awarded on 7 July 2006 allowing, once initialled by Perúpetro, the conversion of our Promote Permit on the offshore Block Z34 to a long term Exploration Licence (30 years for oil and 40 years for gas)
- The farm-out to Plectrum PLC of 50% of Block Z34 in return for which they will meet the cost of a significant 2D seismic survey on the Block
- The farm-in to a Block in Colombia and the workover of several wells which should give the company its first oil production in Colombia
- A co-operation Agreement with a Brazilian partner (PROEN) to explore onshore Brazil once the market opens
- Reaffirmation of the agreement with MAN Ferrostaal of Germany for a major petrochemical development in Perú
- A successful placing of 47 million shares to raise £2.5 million to allow the Company to make continued strong efforts to realise the Company's objectives

## 4. Chairman's Statement

Although Gold Oil is a company that only floated on AIM on 14 July 2004 it has rapidly built a strong acreage position in Perú, and is seeking to do the same in Colombia and Brazil, and in July 2006 spudded its first well on the onshore Block XXI. The management in Perú has built an excellent relationship with a Peruvian, Lima based, Exploration and Petroleum Engineering consultancy that has proven of great value in analysing opportunities in Perú, Colombia and Brazil and identifying and providing experienced staff to assist with our exploration well in Perú on Block XXI. The high potential of the Company's Block Z34 is reflected by the farm-in by Plectrum which will allow a major seismic programme on this unexplored block to be carried out at no cost to the Company but still leaving us with a large equity position with which to benefit from exploration success.

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In Colombia the Company's farmed-in to the Nancy-Burdine-Maxine block containing three fields that were abandoned some years ago by a major oil company as non-material when oil prices collapsed. First results are due in September.

In Spain, in the Ayoluengo field, a programme of well re-entries and perforation of intervals that have never been produced will start in July 2006 and it is expected that incremental production can be achieved and funded out of existing cash flow.

The Company raised £2.5 million in June 2006 through a placement to allow the Company to fund existing projects but also allow us to react quickly to new opportunities. At the end of the year the Group showed a loss of £557,000, the cash balance was £2,460,000 reflecting the leanness of the Group and the massive increase in the Group's exploration and production acreage.

Looking ahead we plan to consolidate and continue activity on our current assets in Perú and Colombia and continue to add low risk projects with potential for early cash flow in South America.

The last year has been a very busy and successful one for the Company and I congratulate everyone in our small team in Perú for their dedication and professionalism. Against a background of Presidential elections in Perú and Colombia in June 2006 this has been a real achievement.

I look forward to meeting you all at our forthcoming annual general meeting in which our accounts will be laid before the Company.

Michael Burchell  
*Chairman*

20 September 2006

## 5. Statement of Net Oil Reserves and Contingent Resources as Determined on 1 July 2006

### *Volumes and Categorisation by Location — Group*

At 1 July 2006: Colombia

|                                    | <i>Gold Oil<br/>Net Interest</i> | <i>Oil<br/>Mbbl</i> | <i>Gas<br/>MMscf</i> | <i>Petroleum<br/>Mboe</i> |
|------------------------------------|----------------------------------|---------------------|----------------------|---------------------------|
| <b>1. Reserves</b>                 |                                  |                     |                      |                           |
| Proven & Probable Reserves         | 18.88%                           | 85                  | N.D.                 | 85                        |
| Possible Reserves                  | 18.88%                           | 31                  | N.D.                 | 31                        |
| Total                              | 18.88%                           | 116                 | N.D.                 | 116                       |
| <b>2. Contingent Oil Resources</b> |                                  |                     |                      |                           |
| Best Estimate                      | 18.88%                           | 18                  | N.D.                 | 18                        |
| High Estimate                      | 18.88%                           | 50                  | N.D.                 | 50                        |

At 30 April 2005 and 2006: No oil and gas reserves

#### Notes

- The Reserve estimates shown in this report are based upon the joint reserves and resource definitions of the Society of Petroleum Engineers
- Reserves and Contingent Resources have been prepared by RPS Energy Ltd
- Net volumes have been calculated based on Gold Oil's 40% Participating Interest. Actual entitlement may be higher than this due to recovery of costs under the terms of the Carried Interest Agreement between Gold Oil and their partners
- Quantities of Petroleum stated in oil equivalent are calculated using a gas to oil conversion factor of 5,800 scf per barrel of oil equivalent

## 6. Review of Operations

### 6.1 Brazil



In late 2005, ANP (the government department responsible for oil and gas licences) put some 17 onshore marginal oilfields up for auction to local and international companies. The oilfields were described as “marginal” as they were all once owned and operated by Petrobras, but Petrobras decided they were uneconomic to continue with and closed them down. Several were closed down about 10 years ago. Some 163 companies tendered bids ending with a real auction where companies were openly invited to outbid each other in the same room. Many of these companies were individuals with no background in oil and gas

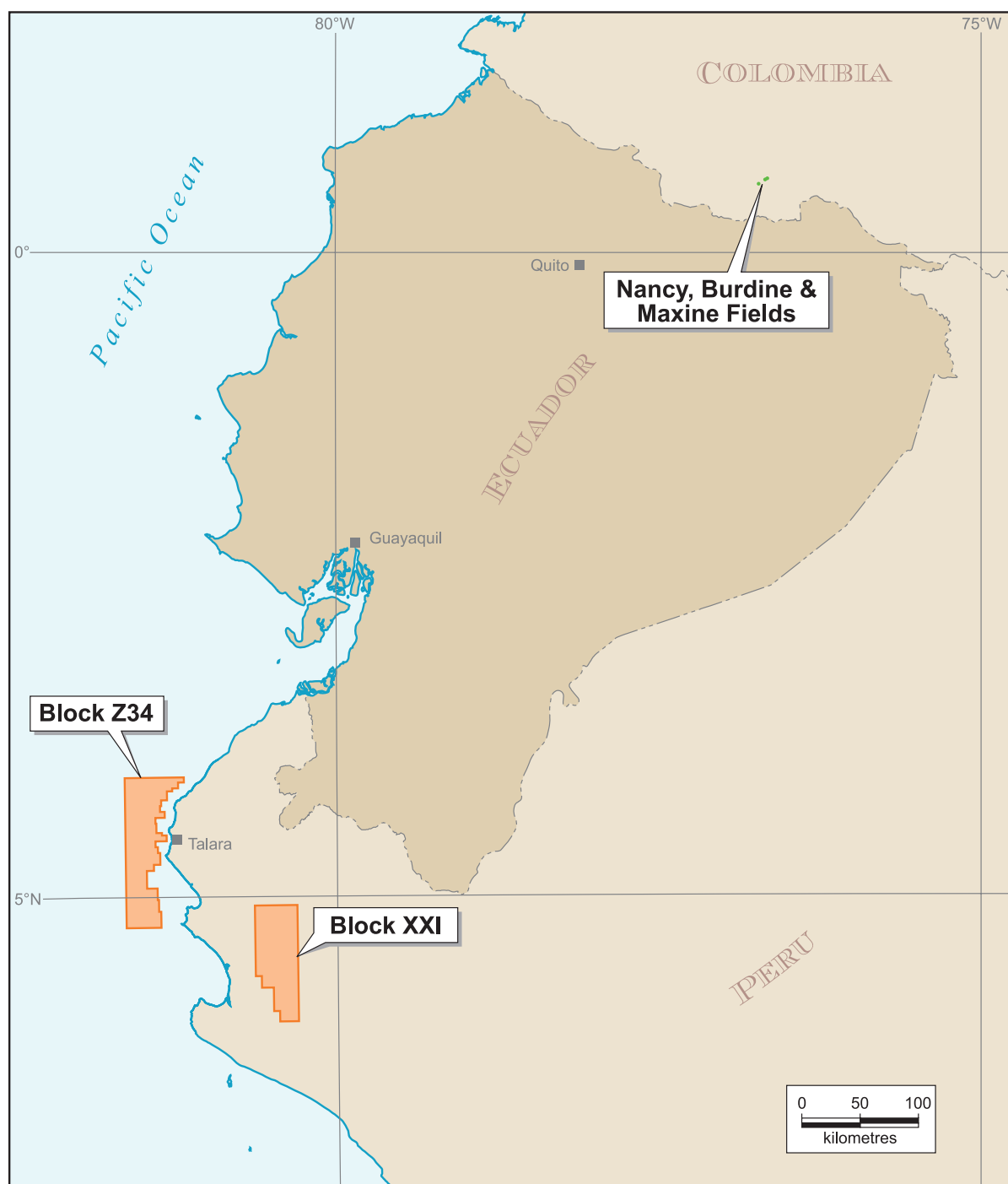
Although we like the opportunities onshore Brazil, we decided not to bid for any of these licences but instead opted to observe how the process would pan out. As we suspected many licences were won by “rogue elements” who in the end were desperately trying to farm out their licences before the expiry of the date when they had to put up the guarantee money to ANP. Many of the successful bids were returned to ANP with the winning bidders unable to put up the necessary guarantee money. Those returned licences were taken up by the second bidder on the same terms as the winning bidder had bid. This demonstrated that post-bid most companies believed that they had lost out and were prepared to bid more to win a position in the new market.

Gold has aligned itself with a local engineering contractor, PROEN Engenharia e Manutenção, based in São Paulo to help monitor events in Brazil. On 27 March 2006, a Co-operation Agreement was signed whereby Gold and PROEN will pursue opportunities in Brazil on a 50/50 basis with Gold acting as operator. The Company (through PROEN on behalf of the Company) successfully bid for two onshore Marginal Fields in June 2006. The areas are undergoing an extensive study at present as we could only bid on a pre-determined work programme which we believe is not suitable for the areas. If the work programme cannot be changed, or the costs absorbed for obtaining essentially exploration acreage, then the Company shall withdraw from the bid. There is an Exploration Licensing round due in November 2006 which is also of interest.

We believe Petrobras, who had a sole monopoly on all oil and gas exploration in Brazil up until around 15 years ago, neglected the onshore scene when the offshore was auctioned off to international oil companies. It is only over the last few years that there has been any competition to Petrobras in the onshore licences and most of those competitors are local companies.

The tax and royalty regime for exploration licences is quite low making Brazil more attractive than Argentina. Brazil is not without its difficulties being the most bureaucratic country in the Americas, having most of its E&P knowledge in the hands of ex-Petrobras employees and having a monopoly buyer of hydrocarbons (Petrobras). Many changes to the law and working practices are required before Brazil is fully opened up to competition in the energy sector.



6.2 *Colombia*



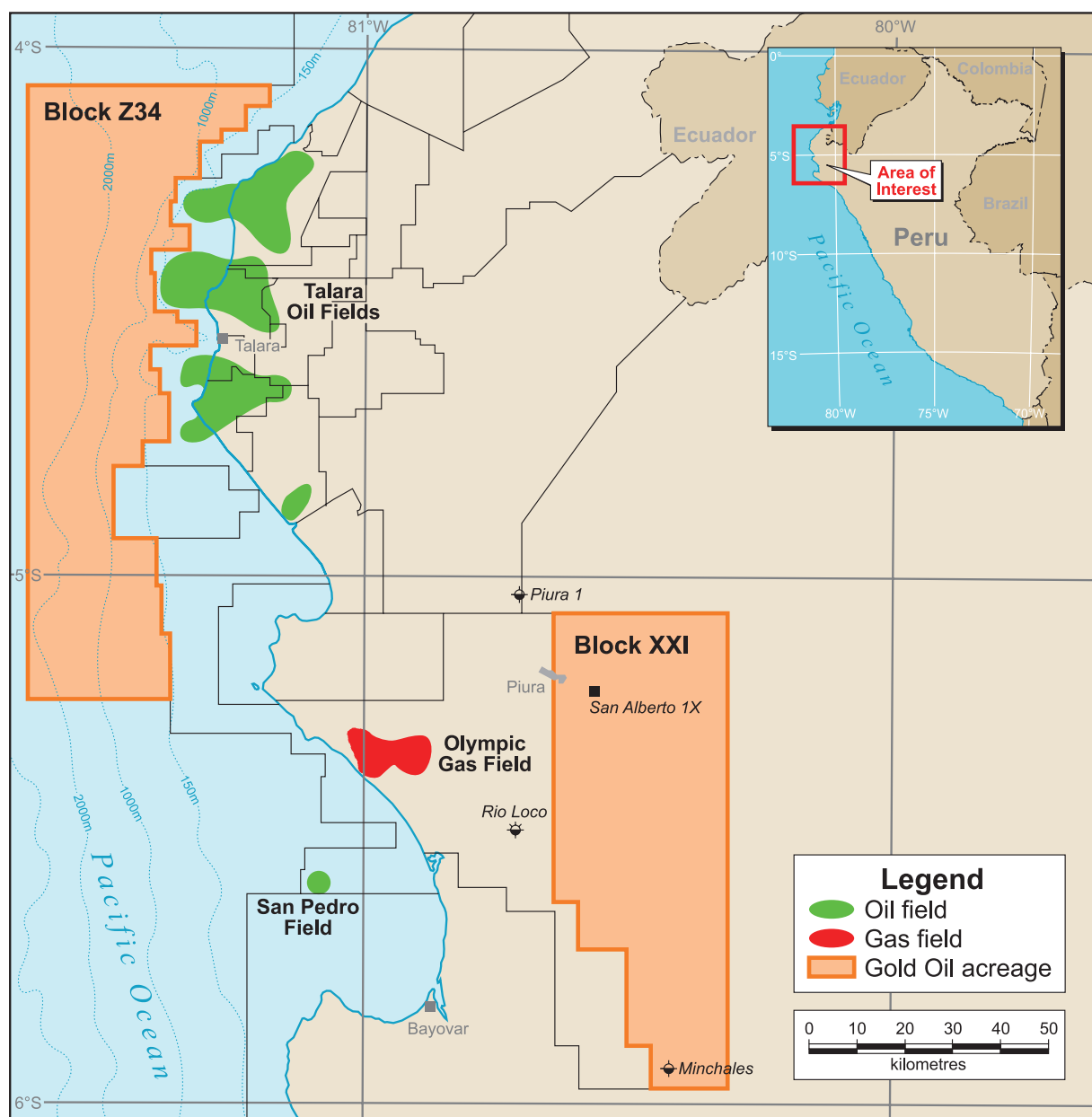
*Gold Oil Licence Interests in Colombia*

| <i>Block Name</i>    | <i>Licence</i>    | <i>Expiry Date</i> | <i>Size<br/>(ha)</i> | <i>Interest</i> | <i>Operator</i>     |
|----------------------|-------------------|--------------------|----------------------|-----------------|---------------------|
| Burdine-Maxine-Nancy | NIT 830.132.959-5 | 03/09/2015         | 10.598               | 40%             | Union Temporal II&B |

On 8 March 2006 the Company acquired a significant interest in the Nancy-Burdine-Maxine (NBM) Oil Fields in the South West of Colombia. The consideration is \$330,000 with an increased share of production for Gold until payback when a contribution to back costs is made. Gold has to pay its share of the re-entry costs estimated at \$220,000. Gold is now the largest partner with a 40% interest.

The fields were discovered by Texaco and put on production at 1,400 bopd in 1975 and in 1995 they were abandoned for economic reasons. At the time of abandonment the Nancy 1 well was producing at 200 bopd with no water. The Licence is held by Union Temporal, a group of small sized local oil and service companies and individuals led by ex-oil personnel from companies such as BP, Oxy and Schlumberger, all of whom have extensive experience in Colombia and the NBM Oil Fields.

The operator re-entered the Nancy 1 well in June 2006 and, because of bureaucratic and equipment delays, expects to start production in late September 2006 from the existing zones by installing a jet pump and from newly perforated zones previously ignored by Texaco.

6.3 *Perú*

*Gold Oil Licence Interests in Perú at 30 April 2006*

| <i>Block Name</i> | <i>Licence</i>      | <i>Expiry Date</i>                          | <i>Size<br/>(ha)</i> | <i>Interest</i> | <i>Operator</i> |
|-------------------|---------------------|---|----------------------|-----------------|-----------------|
| Block XXI         | Exploration Licence | Expires 5 May 2036 Oil                      | 303,000              | 100%            | Gold Oil Plc    |
| Block Z34         | Promotion Agreement | Expired 23 June 2006<br>(Under negotiation) | 371,339              | 100%            | Gold Oil Plc    |

The year has been dominated by intensive efforts to consolidate the Company's position in Perú by achieving the formal qualification as an operator without which it would not have been possible to convert the Promote Permits on Blocks XI and Z34 to long term Licence Contracts (30 years for oil and 40 years for gas).

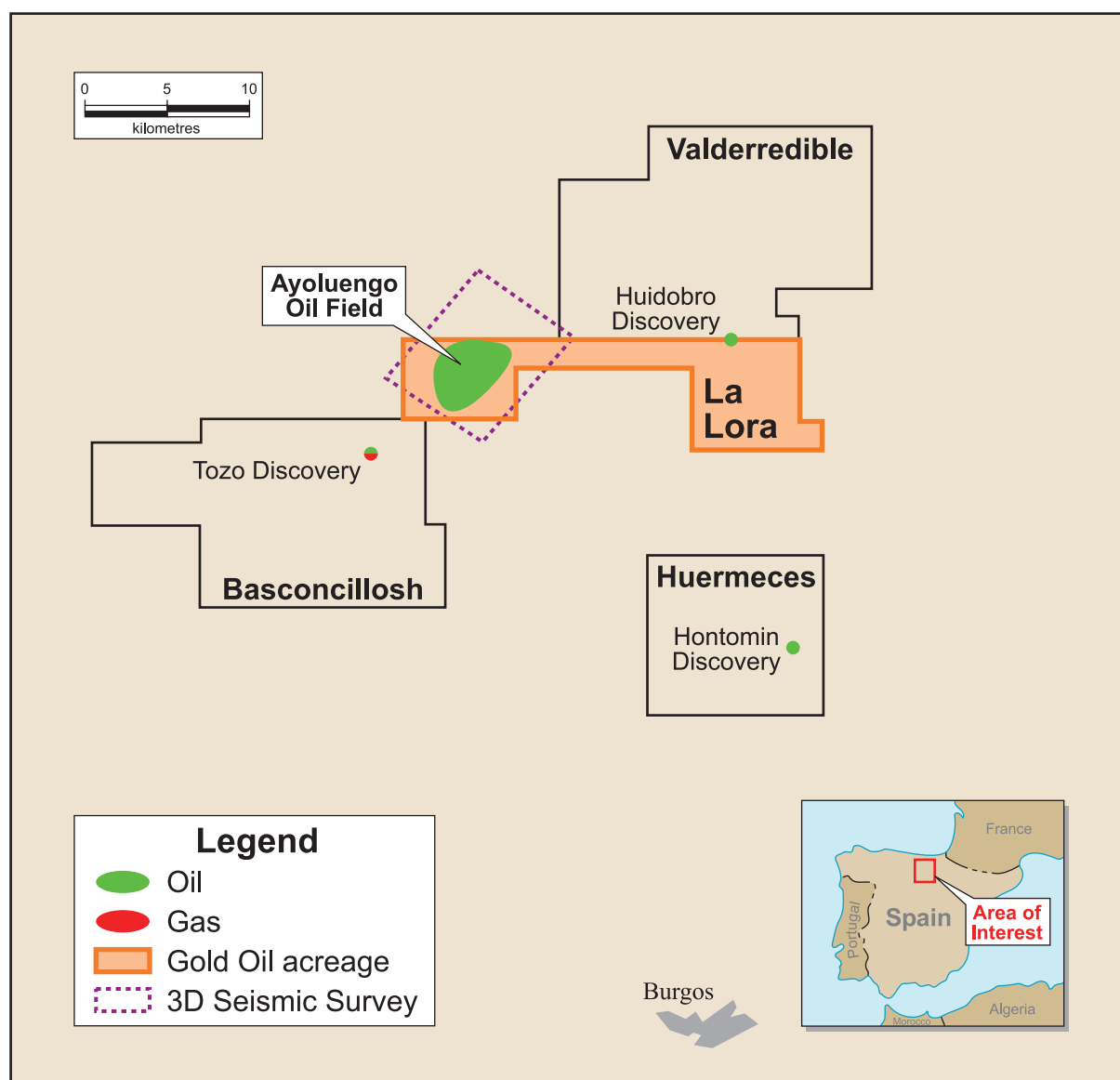
The team was successful in being officially recognised as an onshore operator in December 2005, Block XI was renamed Block XXI by Perúpetro and the Licence Contract was formally ratified by the Minister for Energy and Mines in Lima on the 5 May 2006. A suitable rig was identified in the Talara area and a drilling contract with the owner was signed and at the end of May 2006 the rig was mobilised to the site to drill the Company's first exploration well, San Alberto-1X: this is less than two years since the company was accepted to AIM.

San Alberto-1X was selected following extensive regional geological and geophysical studies that tied in Block XXI to other Palaeozoic and Tertiary wells and fields. The well was spudded on 11 July 2006 and reached total depth of 5,113 feet on the 3 August 2006, meeting the geological objectives in the drilling programme.

The objectives of the well were the Tertiary Verdun sands that produce gas in Olympic's Las Casita gas field 20 kms to the west of San Alberto-1 and the fractured Palaeozoic quartzites that produce oil in PetroTech's offshore San Pedro field 50 kms to the west. Logging, drilling results and regional information showed 250 gross feet of hydrocarbon bearing sands in the Palaeozoic and 315 gross feet of hydrocarbon bearing sands in the Verdun. The decision was taken to production test these hydrocarbon bearing sands in both the Verdun and the Palaeozoic.

After circulating to completion fluid and running a slotted-liner over the Palaeozoic the drilling rig was moved off location. After clearing the location a work-over hoist and test facilities moved on to the location on 22 August and produced formation water at 960 barrels per day from the base of the Palaeozoic, below the hydrocarbon bearing interval. A heavier rig will move back onto location at the end of September to pull the slotted liner and run and cement a liner over the Palaeozoic which will isolate the water and allow the hydrocarbon bearing intervals to be perforated and tested.

On Block Z34 the Company has had extensive negotiations with Perúpetro to qualify the Company as an offshore operator. This was finally achieved on the 7 July 2006 allowing negotiations to commence with Perúpetro on the terms of the long term Exploration Licence (30 years for oil and 40 years for gas). On the 6 April 2006 the Company entered into a Co-Operation Agreement with the UK company, Plectrum plc, whereby Plectrum will carry the Company's share of the planned 2,500 kilometres of 2D seismic that may be shot early in 2007. In return the Company will transfer half of its 100% interest in the Licence. The Company will continue to operate the Block on behalf of the joint venture.

6.4 *Spain**Gold Oil Licence Interests in Spain*

| <i>Block Name</i> | <i>Licence</i> | <i>Expiry Date</i> | <i>Size<br/>(ha)</i> | <i>Interest</i> | <i>Operator</i>        |
|-------------------|----------------|--------------------|----------------------|-----------------|------------------------|
| La Lora           | 3311/1996      | 30.01.2017         | 40.254               | 11.25%          | Northern Petroleum Ltd |

The Company purchased the whole issued shares in Northern Petroleum Exploration Limited on 6 October 2005 (effective from 1 October 2005) from Northern Petroleum Plc for a consideration of £300,000. Completion took place on 31 January 2006. Northern Petroleum Exploration Limited had two assets, one being a 22.5% working interest and operatorship of the La Lora Concession, onshore North East Spain. The licence actually has NEPL as owner of 45%, but 50% of this interest was being held by NEPL on behalf of a third party. The second asset was the 50% interest holder in the Huermece, Valderredible and Basconcillos-H exploration Licences, again in North East Spain. Before the Company bought NEPL, the

exploration licences were taken out of the company and sold by the previous owners, Northern Petroleum Plc, to Ascent Resources Plc.

The Company purchased NPEL in order to acquire a company with three years of accounts, production and operatorship. This was to aid the company's qualification as operator in Perú (and elsewhere) where we needed to convert our Promotion Agreements with the Government into Exploration and Production Licences. The strategy worked as the Company was qualified as an operator in Perú in November 2005.

Immediately following the purchase of NPEL the Company sold 50% of NPEL to Ascent Resources Plc for £100,000 in cash and £50,000 worth of stock in Ascent Resources Plc. This reduced the Company's interest in the Ayoluengo Oil Field to 11.25%.

The La Lora Concession contains the Ayoluengo Oil Field that was discovered by Chevron and put on production in 1965. The field once produced over 2,875 bopd and 4.7 MMscfd of gas in 1969 and is today producing 120 bopd from 11 wells. A large scale 3D seismic survey was acquired over the field in the early 2000s and has recently been analysed. Recent work shows that considerable areas of the field are not being drained by the existing wells and in most of the existing wells, and previously abandoned ones, there are many oil zones never perforated in the past, with some having 30 metres of net pay in a single well.

A workover programme for 4-6 wells is planned for later this year to perforate these zones. The estimated additional production from Phase 1 of the workover programme, per well, is some 35 bopd (range 15-70 bopd) and additional associated gas. On the basis of current commodity prices this could result in net additional revenues of up to \$1,000,000 per year for the field given the low fixed operating costs.

Ascent Resources Plc intends to carry out a drilling programme in the Exploration blocks to the west of the field and if their campaign is successful, then any oil developed will be transported back to the Ayoluengo Oil Field facilities thereby earning the Company a tariff for the use of the facilities.

The Company has no plans to expand in Spain as the core areas of interest are in the hydrocarbon rich areas of South and Central America.

Several potential buyers have approached the Company over the last year seeking to buy either the interest in Ayoluengo or the interest in NEPL. The Company has no intention of selling either as governments, flush with suitors, are again raising the barriers for oil and gas entrants into their country. As an example the Company is submitting an application for a licence in Colombia and without our interest in NEPL we would not qualify as the applicant now has to have a minimum of 5 years of accounts, operatorship and production.

## **6.5 Farm-ins and Acquisitions**

The Company is actively seeking high potential blocks in Perú by direct negotiation with Perúpetro and has been reviewing various opportunities to gain access to other blocks in Perú in order to acquire strategic oil and gas reserves.

The Company has reviewed several farm-in opportunities in Colombia that would give us access to reserves and early cash flow and expects to be successful with one or more farm-ins in 2006.

## **6.6 Open Acreage**

The Company has identified several interesting open acreage opportunities in Brazil and has agreed with the Brazilian oil field service company, PROEN, to bid for acreage in future government licensing rounds. The Company will act as operator.

## **7. Directors**

### ***Michael Norman Burchell* Chairman**

Mike Burchell (age 66) has over 44 years of experience in the oil and gas industry since graduating with honours from Leeds University. During his career he has had extensive international experience at PLC main board level of oil and gas field development, oil and gas sales, PSAs and transportation agreements

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and acquisitions and finance. Mr. Burchell is now a director of CBM Oil plc and is the Consultant Adviser to the Ministry of Oil in Bahrain and Bapco, Bahrain's state oil company.

***John Gary Moore*** *Managing Director*

Gary Moore (age 56) has 34 years of experience in the oil and gas industry as a petroleum engineer since graduating from Leeds University. In 1985 he joined Texaco as a negotiator and then Commercial Manager before leaving in 1990 to establish his own consulting company. In 1999, he founded Sunningdale Oils (Ireland) Limited which has gas production in Ireland. He was a non-executive director of Northern Petroleum PLC until he resigned in 2003. He has been working a large part of his time in Perú since he first went there with Shell as a consultant in 1996.

***Patrick Gerald Mahony*** *Non-Executive Finance Director*

Pat Mahony (age 54) has 28 years of experience in the oil and gas industry since he qualified as a Chartered Accountant in 1977 with Stokes Kennedy Crowley (now KPMG) in Dublin and then joined Bula Limited as Financial Accountant. In 1981, he joined Bula Resources PLC and became Company Secretary in 1986. In 1987 he was appointed to the Board of Bula as Finance Director and in April 1997 was appointed Managing Director of Bula until his resignation in March 1999. Mr. Mahony was also a director of Ovoca Resources PLC during the period 1990 to 1997, and is currently a Financial Consultant based in Dublin.

On 31 October 2005, Dr. Martin L Keeley resigned as Exploration Director.

## **8. Advisers and General Information**

|                   |   |
|-------------------|---|
| Registered Office | Finsgate<br>5-7 Cranwood Street<br>London EC1V 9EE  |
| Company Secretary | Patrick Gerald Mahony<br>103 Rathfarnham Wood<br>Dublin 14<br>Ireland   |
| Auditors          | Jeffreys Henry LLP<br>Finsgate<br>5-7 Cranwood Street<br>London EC1V 9EE  |
| Solicitors        | Kerman & Co LLP<br>7 Savoy Court<br>Strand<br>London WC2R 0ER   |
| Nominated Adviser | Beaumont Cornish Limited<br>10-12 Copthall Avenue<br>London EC2R 7DE  |
| Broker            | Daniel Stewart & Company Plc<br>Becketts House<br>36 Old Jewry<br>London EC2R 8DD   |
| Registrars        | Computershare Investor Services (Ireland) Limited,<br>Heron House,<br>Corrig Road,<br>Sandyford Industrial Estate,<br>Dublin 18 |
| Communications    | Web Site <a href="http://www.goldoilplc.com">www.goldoilplc.com</a>   |

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## 9. Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 April 2006.

### 9.1 *Principal Activities*

The principal activity of the company is that of oil and gas exploration.

### 9.2 *Business activities*

A review of the Group's business during the financial period and its likely development are given in the Chairman's statement.

### 9.3 *Proposed dividend*

The directors do not recommend the payment of a dividend.

### 9.4 *Directors and director's interests*

The directors who held office during the period were as follows:

M N Burchell  
Dr M L Keeley (resigned on 31 October 2005)  
P G Mahony  
J G Moore

Details of Director's interests in shares are given in note 19 to the accounts.

### 9.5 *Political and charitable contributions*

The group made no political or charitable contributions during the year.

### 9.6 *Policy and practice on payment of creditors*

The Group and Company policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transactions and to abide by those terms. The Group and the Company do not follow any code or statement on payment policy.

### 9.7 *Activities and results*

A loss of £557,000 was recorded for the year. Net assets of the Group at 30 April 2006 amounted to £3,160,000. No dividends or transfers to reserves are proposed.

Details of the Group's affairs and the development of its various activities during the period, important events since the year end and details of the Company's plans for the next year are given in sections 5 and 6.

### 9.8 *Directors' interests*

The interests of the directors and secretary and their families in the issued share capital of the company are as follows:

|              | <i>1 May 2005</i>          |                              | <i>30 April 2006</i>       |                              |
|--------------|----------------------------|------------------------------|----------------------------|------------------------------|
|              | <i>Ordinary<br/>Shares</i> | <i>Ordinary<br/>Warrants</i> | <i>Ordinary<br/>Shares</i> | <i>Ordinary<br/>Warrants</i> |
| M N Burchell | 3 million                  | 2.3 million                  | 3 million                  | 2.3 million                  |
| J G Moore    | 20 million                 | 9.2 million                  | 20 million                 | 9.2 million                  |
| P G Mahony   | 0 million                  | 2.3 million                  | 0 million                  | 2.3 million                  |

Each Warrant grants the holder the right to subscribe for one Ordinary Share at £0.01 per share, such right to be exercisable at any time prior to 14 July 2007. The Warrants issued to directors may only be exercised with effect from 21 March 2005, and may only be exercised in tranches of 25% every six months.



All the above shareholdings are beneficially held.

There have been no contracts or arrangements of significance during the year in which the directors of the company were interested.

Currently there are service contracts in place with all directors of the company and the contracts are available for inspection at the registered office of the company on request.

In accordance with the Articles of Association of the company, Mr. Moore retires by rotation and, being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

### 9.9 **Remuneration policy**

The Committee takes into account both Company and individual performance, market value and sector conditions in determining director and senior employee remuneration. The Company has maintained a policy of paying only minimum salaries compared with peer companies in the oil and gas independent sector until the Company is in a position to pay market rate salaries. All current salaries are without pension benefits.

### 9.10 **Basic salaries**

Basic salaries are reviewed annually or when individuals change positions or responsibility or the Company's position changes. Increases to the minimum salaries were approved during 2005 to bring salaries more into line with similar positions in similar companies. Details of the salaries are shown below.

|  | <i>Year ended<br/>30 April 2006<br/>(£)</i> | <i>Year ended<br/>30 April 2005<br/>(£)</i> |
|--|---|---|
| <i>Executive Directors:</i>                  |   |   |
| John Gary Moore                              | 127,500                                     | 37,483.87                                   |
| Michael Norman Burchell                      | 40,000                                      | 11,215.08                                   |
| Billy G Underwood (Resigned 31 October 2004) | N.A.  | 5,483.87                                    |
| Martin Keeley (Resigned 31 October 2005)     | 56,667                                      | 13,333.33                                   |
| <i>Non Executive Director</i>                |   |   |
| Patrick Gerald Mahony                        | 548   | 1,148.38                                    |

### 9.11 **Significant shareholdings**

The company has been informed that, as of 4 September 2006, the following shareholders own 3% or more of the issued share capital of the company:

| <i>Name</i>                   | <i>Shares</i>      | <i>% of<br/>Company</i> |
|-------------------------------|--------------------|-------------------------|
| Clachan Nominees Limited      | 60,245,000         | 14.62%                  |
| Mark Pritchard                | 42,750,000         | 10.37%                  |
| JIM Nominees Limited          | 31,464,066         | 7.63%                   |
| Ben Anderson                  | 22,500,000         | 5.46%                   |
| Gary Moore                    | 20,000,000         | 4.85%                   |
| Barclayshare Nominees Limited | 15,752,602         | 3.82%                   |
| Total                         | <u>192,711,668</u> | <u>46.75%</u>           |

## 10. **Corporate Governance Statement**

### 10.1 **The Board**

The board comprises two executive directors and one non-executive director, details of whom are contained in section 7 of this report.

The board meets at least four times a year and in 2005/2006 met sixteen times. Three of these were for the sole purpose of approving the conversion of warrants to issued shares.

The board is responsible for the strategy, reviewing and approving of acquisition opportunities, capital expenditures, budgets, trading performance and all significant financial and operation issues.

#### **10.2 *The Audit Committee***

The Audit Committee is chaired by Patrick Mahony and the other member is Gary Moore. The Committee meets at least twice a year. Its terms of reference include the review of the Interim and Annual Accounts, review of internal controls, risk management and compliance procedures, consideration of the Company accounting policies and all issues with the annual audit.

#### **10.3 *The Remuneration Committee***

The Remuneration Committee is chaired by Gary Moore and its other member is Michael Burchell. The Committee meets as required, but at least twice a year. Its role is to assist the board in determining the remuneration arrangements and contracts for directors and senior employees.

#### **10.4 *Communications***

The Company provides information on Group activities by way of press releases, Interim and Annual Accounts and also the website ([www.goldoilplc.com](http://www.goldoilplc.com)). The Company website is updated as often as possible and contains all operational reports, press releases and Interim and Annual Accounts.

#### **10.5 *Internal control***

The board has the overall responsibility for identifying, evaluating and taking the necessary action to manage the major risks faced by the Company. The process of internal control is not to eliminate risk, but to manage the risk to reasonably minimise loss.

#### **10.6 *Going concern***

With the Placing in June 2006, the Company's medium term investment plans in Perú and Colombia show, in the directors' opinion, that there is a reasonable expectation that the resources available to the Company will allow it to continue operations. Thus, the going concern for the preparation and reporting of accounts has been adopted.

### **11. Statement of Directors' Responsibility in respect of the Financial Statements**

#### ***Corporate governance***

The Company is not required to comply with the Code of Best Practice as set out in section 1 of the Combined Code appended to the listing rules of the Financial Services Authority as it is listed on AIM. All relevant decisions are being taken by the full Board.

#### ***Directors' responsibilities***

Company law requires the directors to prepare financial statements for each financial year in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently:

- make judgements and estimates that are reasonable and that prudent standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group company will continue in business.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group company and to prevent and detect fraud and other irregularities.

***Statement of disclosure to auditor***

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

***Auditors***

In accordance with Section 385 of the Companies Act 1985 a resolution reappointing Jeffreys Henry LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board

P. G. Mahony  
*Company Secretary*

20 September 2006

**12. Report of the Independent Auditors to the Members of Gold Oil Plc**

We have audited the financial statements for the year ended 30 April 2006 which comprises of the profit and loss account, balance sheet and notes 1 to 22. These financial statements have been prepared under historical cost convention and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**12.1 *Respective responsibilities of directors and auditor***

The directors are responsible for preparing the directors' report and, as described on the directors' report, the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice). Our responsibilities are to audit the financial statements in accordance with the relevant legal and regulatory requirement and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual report and consider whether it is consistent with those statements. The other information comprises the Corporate Statement, the Chairman's Report, Review of Operations, the Directors' Report and the Statement of Directors' Responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## 12.2 *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland). An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## 12.3 *Opinion*

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group as at 30 April 2006 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Jeffreys Henry LLP  
*Chartered Accountants*  
*Registered Auditor*

20 September 2006

Finsgate  
5-7 Cranwood Street  
London EC1V 9EE

**13. Consolidated Profit and Loss Account for the year ended 30 April 2006**

|  |      | 2006    | 2005    |
|--|------|---------|---------|
|  | Note | £000    | £000    |
| <b>Turnover</b>                                    |      | —       | —       |
| Administration expenses                            |      | (698)   | (383)   |
| <b>Operating loss</b>                              |      | (698)   | (383)   |
| Other interest receivable and similar income       | 5    | 141     | 9       |
| <b>Loss on ordinary activities before taxation</b> | 2-4  | (557)   | (374)   |
| Taxation credit on loss on ordinary activities     | 6    | —       | —       |
| <b>Loss for the year for group</b>                 |      | (557)   | (374)   |
| <b>Loss: Earnings per ordinary share</b>           | 8    |         |         |
| — Basic  |      | (0.16p) | (0.18p) |
| — Diluted  |      | (0.14p) | (0.15p) |

A note on historical gains or losses has not been included as part of the financial statements as the results as disclosed in the profit and loss account are prepared on an unmodified historical cost basis.

There were no other recognised gains or losses in the period.

**14. Consolidated Balance Sheet as at 30 April 2006**

|   |             | <i>2006</i>  |              | <i>2005</i>  |              |
|---|-------------|--------------|--------------|--------------|--------------|
|   | <i>Note</i> | <i>£000</i>  | <i>£000</i>  | <i>£000</i>  | <i>£000</i>  |
| <b>Fixed assets</b>                                   |             |              |              |              |              |
| Tangible assets                                       | 9           |              | 22           |              | 25           |
| Intangibles   | 10          |              | 299          |              | —            |
| Investments   | 11          |              | 192          |              | —            |
|   |             |              | <u>513</u>   |              | <u>25</u>    |
| <b>Current assets</b>                                 |             |              |              |              |              |
| Debtors   | 12          | 290          |              | 39           |              |
| Cash at bank and in hand                              |             | <u>2,460</u> |              | <u>3,632</u> |              |
|   |             | 2,750        |              | 3,671        |              |
| <b>Creditors:</b> amounts falling due within one year | 13          | <u>(103)</u> |              | <u>(116)</u> |              |
| <b>Net current assets</b>                             |             |              | <u>2,647</u> |              | <u>3,555</u> |
| <b>Total assets less current liabilities</b>          |             |              | <u>3,160</u> |              | <u>3,580</u> |
| <b>Capital and reserves</b>                           |             |              |              |              |              |
| Called up share capital                               | 14          |              | 90           |              | 86           |
| Share premium account                                 | 15          |              | 4,004        |              | 3,868        |
| Profit and loss account                               | 15          |              | <u>(934)</u> |              | <u>(374)</u> |
| <b>Equity shareholders' funds</b>                     |             |              | <u>3,160</u> |              | <u>3,580</u> |

These financial statements were approved by the Board of Directors on 20 September 2006 and were signed on its behalf by:

Director: M N Burchell

Director: J G Moore

**15. Company Balance Sheet as at 30 April 2006**

|   |             | <i>2006</i>  |              | <i>2005</i>  |              |
|---|-------------|--------------|--------------|--------------|--------------|
|   | <i>Note</i> | <i>£000</i>  | <i>£000</i>  | <i>£000</i>  | <i>£000</i>  |
| <b>Fixed assets</b>                                   |             |              |              |              |              |
| Tangible fixed assets                                 | 9           |              | 2            |              | 2            |
| Intangibles   | 10          |              | 299          |              | —            |
| Investments   | 11          |              | 804          |              | 150          |
|   |             |              | <u>1,105</u> |              | <u>152</u>   |
| <b>Current assets</b>                                 |             |              |              |              |              |
| Debtors   | 12          | 149          |              | 32           |              |
| Cash at bank and in hand                              |             | <u>2,272</u> |              | <u>3,606</u> |              |
|   |             | 2,421        |              | 3,638        |              |
| <b>Creditors:</b> amounts falling due within one year | 13          | <u>(92)</u>  |              | <u>(113)</u> |              |
| <b>Net current assets</b>                             |             |              | <u>2,329</u> |              | <u>3,525</u> |
| <b>Total assets less current liabilities</b>          |             |              | <u>3,434</u> |              | <u>3,677</u> |
| <b>Capital and reserves</b>                           |             |              |              |              |              |
| Called up share capital                               | 14          |              | 90           |              | 86           |
| Share premium account                                 | 15          |              | 4,004        |              | 3,868        |
| Profit and loss account                               | 15          |              | <u>(660)</u> |              | <u>(277)</u> |
| <b>Equity Shareholders' Funds</b>                     |             |              | <u>3,434</u> |              | <u>3,677</u> |

These financial statements were approved by the Board of Directors on 20 September 2006 and authorised for issue by:

Director: M N Burchell

Director: J G Moore

**16. Consolidated Cash Flow Statement for the year ended 30 April 2006**

|   | <i>Note</i> | <i>2006</i><br><i>£000</i> | <i>2005</i><br><i>£000</i> |
|---|-------------|----------------------------|----------------------------|
| <b>Cash flow statement</b>                                      |             |                            |                            |
| <b>Cash outflow from operating activities</b>                   | <i>17</i>   | (950)                      | (306)                      |
| <b>Returns on investments and servicing of finance</b>          | <i>18</i>   | 141                        | 9                          |
| <b>Capital Expenditure</b>                                      | <i>18</i>   | (503)                      | (25)                       |
|   |             | <u>(1,312)</u>             | <u>(322)</u>               |
| <b>Management of liquid resources</b>                           | <i>18</i>   | —                          | (1,800)                    |
| <b>Financing</b>  | <i>18</i>   | 140                        | 3,954                      |
|   |             | <u>(1,172)</u>             | <u>1,832</u>               |
| <b>Reconciliation of net cash flow to movement in net funds</b> |             |                            |                            |
| (Decrease)/Increase in cash in year                             |             | (1,172)                    | 3,632                      |
| Deposits treated as liquid resources                            |             | —                          | (1,800)                    |
|   |             | <u>(1,172)</u>             | <u>1,832</u>               |
| Opening net debt  |             | 3,632                      | —                          |
| Closing net debt  |             | <u>2,460</u>               | <u>1,832</u>               |

**17. Statement of total recognised gains and losses for the year ended 30 April 2006**

|   | <i>2006</i><br><i>£000</i> | <i>2005</i><br><i>£000</i> |
|---|----------------------------|----------------------------|
| <b>Loss for the year for the group</b>    | (557)                      | (374)                      |
| Foreign exchange reserves                 | (3)                        | —                          |
| <b>Total recognised loss for the year</b> | <u>(560)</u>               | <u>(374)</u>               |



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## 18. Notes (forming part of the financial statements)

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

#### *Basis of accounting*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries, joint venture and associated undertakings.

Assets and liabilities of overseas subsidiary undertaking are translated into sterling at rates of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiaries are translated into sterling using average rates of exchange. Exchange adjustments arising when the opening net assets and the loss for the year are taken directly to reserves and reported in the statement of total recognised gains and losses.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

The results of the associate are based upon statutory for period ending on 30 September. Where subsidiaries, joint ventures and associates are acquired or disposed of during the year, results are included from the date of acquisition or to the date of sale.

Goodwill arising on acquisition represents the difference between the fair value of the consideration given over the fair value of the identifiable net assets acquired and is capitalised and amortised over its useful life of 20 years.

#### *Associates*

An associate is a company, other than a subsidiary or joint venture, in which the group has a long term participating interest and exercises significant influence. The profit and loss account includes the group's share of turnover, operating profit/(loss) and interest of associates. Investment in associates are shown in the group balance sheet at the group's share of the underlying net assets of the companies concerned less provisions where appropriate.

#### *Tangible fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives subject to the following periods:

|                  |   |            |
|------------------|---|------------|
| Motor vehicle    | — | 5 years    |
| Office Equipment | — | 4-10 years |

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

#### *Investments*

Fixed asset investments are stated at cost less provision for diminution in value.

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*Foreign exchange*

Foreign currency transactions are translated to sterling at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account.

*Cash and liquid resources*

Cash at bank and in hand includes short-term deposits with banks with initial maturity of three months or less.

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

*Oil and natural gas assets*

Exploration and development expenditure is accounted for under the 'successful efforts' method. The successful efforts method means that the only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised.

Exploration and evaluation costs are capitalised within intangible assets. Capital expenditure on producing assets are accounted for in accordance with SORP 'Accounting for Oil and Gas Exploration'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to property, plant and equipment following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

Costs are amortised on a field by field unit of production method based on commercial proven and probable reserves.

The calculation of the 'unit of production' amortisation takes account of the estimated future development costs and is based on the current period end unescalated price levels. Changes in reserves and cost estimates are recognised prospectively.

**2. Pre-production costs**

Pre-production costs incurred in Perú and which have been expensed in the period were £163,000 (2005 — £94,000).

**3. Loss on ordinary activities before taxation**

|   | 2006<br>£000 | 2005<br>£000 |
|---|--------------|--------------|
| <i>Loss on ordinary activities before taxation is stated after charging</i> |              |              |
| Auditors' remuneration:   |              |              |
| Group — audit   | 10           | 8            |
| Company — audit   | 10           | 6            |
| Group — non audit services  | 23           | 10           |
| Depreciation  | 6            | —            |
| Amortisation of goodwill  | 8            | —            |
|   | <u>57</u>    | <u>24</u>    |

**4. Staff number and costs**

The average number of persons employed by the group (including directors) during the year, analysed by category, were as follows:

|                              | 2006 | 2005 |
|------------------------------|------|------|
| Technical and administration | 6    | 6    |

The aggregate payroll costs of these persons were as follows:

|                       | 2006<br>£000 | 2005<br>£000 |
|-----------------------|--------------|--------------|
| Wages and salaries    | 64           | 26           |
| Social security costs | 6            | 3            |
|                       | 70           | 29           |

**5. Interest receivable and similar income**

|               | 2006<br>£000 | 2005<br>£000 |
|---------------|--------------|--------------|
| Bank interest | 141          | 9            |

**6. Taxation**

Analysis of charge in period:

|  | 2006<br>£000 | 2005<br>£000 |
|--|--------------|--------------|
| <i>UK and overseas corporation tax</i> |              |              |
| Current tax on income for the period   | —            | —            |
| Total current tax                      | —            | —            |
| Tax on loss on ordinary activities     | —            | —            |

Factors affecting the tax charge for the current period.

|   |              |              |
|---|--------------|--------------|
| The current tax charge for the period is higher than the standard rate of corporation tax in the UK 30%. The differences are explained below: | 2006<br>£000 | 2005<br>£000 |
| <i>Current tax reconciliation</i>   |              |              |
| Loss on ordinary activities before tax  | (557)        | (374)        |
| Current tax at 30%  | (167)        | (112)        |
| <i>Effects of:</i>  |              |              |
| Expenses not deductible for tax purposes  | —            | —            |
| Increase in tax losses  | 167          | 112          |
| Total current tax charge (see above)  | —            | —            |

At 30 April 2006 the Group had net operating losses to carry forward of £821,000 (2005 — £374,000). The deferred tax asset on these tax losses at 30% of £246,000 (2005 — £112,000) has not been recognised due to the uncertainty of recovery.

**7. Loss for the financial period**

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The loss for the financial year is made up as follows:

|                        | 2006<br>£000 | 2005<br>£000 |
|------------------------|--------------|--------------|
| Holding company's loss | 383          | 277          |

**8. Loss per share***Loss per ordinary share*

|           |        |        |
|-----------|--------|--------|
| — Basic   | (0.16) | (0.18) |
| — Diluted | (0.14) | (0.15) |

Loss per ordinary share is based on the Group's loss for the financial year of £557,000 (2005 — £374,000).

The weighted average number of shares used in the calculation is the weighted average ordinary shares in issue during the year.

|  | 2006<br>Number | 2005<br>Number |
|--|----------------|----------------|
| Weighted average ordinary shares in issue during the year      | 349,869,589    | 212,791,361    |
| Potentially dilutive warrants issued                           | 43,981,918     | 39,305,624     |
| Weighted average ordinary shares for diluted earning per share | 393,851,507    | 252,096,985    |

**9. Tangible fixed assets**

|                       | <i>Equipment<br/>and<br/>Machinery</i><br>£000 | <i>Vehicle</i><br>£000 | <i>Total</i><br>£000 |
|-----------------------|--|------------------------|----------------------|
| <b>Group</b>          |  |                        |                      |
| <i>Cost</i>           |  |                        |                      |
| At beginning of year  | 6  | 19                     | 25                   |
| Additions             | 4  | —                      | 4                    |
| Disposals             | (2)  | —                      | (2)                  |
| At end of year        | 8  | 19                     | 27                   |
| <i>Depreciation</i>   |  |                        |                      |
| At beginning of year  |  |                        |                      |
| Charge for the year   | 2  | 4                      | 6                    |
| On Disposals          | (1)  | —                      | (1)                  |
| At end of year        | 1  | 4                      | 5                    |
| <i>Net book value</i> |  |                        |                      |
| At 30 April 2006      | 7  | 15                     | 22                   |
| At 30 April 2005      | 6  | 19                     | 25                   |
| <b>Company</b>        |  |                        |                      |
| <i>Cost</i>           |  |                        |                      |
| At beginning of year  | 2  | —                      | 2                    |
| Additions             | 1  | —                      | 1                    |
| At end of year        | 3  | —                      | 3                    |
| <i>Depreciation</i>   |  |                        |                      |
| At beginning of year  | —  | —                      | —                    |
| Charge for the year   | 1  | —                      | 1                    |
| At end of year        | 1  | —                      | 1                    |
| <i>Net book value</i> |  |                        |                      |
| At 30 April 2006      | 2  | —                      | 2                    |
| At 30 April 2005      | 2  | —                      | 2                    |

**10. Intangible fixed assets**

| <b>Company and Group</b> | <i>Deferred<br/>Exploration<br/>costs<br/>£000</i> |
|--------------------------|--|
| <i>Cost</i>              |  |
| At beginning of year     | —  |
| Expenditure              | 299  |
| At end of year           | 299  |

The expenditure above represents the acquisition of an interest in the Nancy-Burdine- Maxine Oil fields through the Company's Colombian branch. The value of the Group's investments in these assets is dependant on the development of the oil reserves. Should this prove unsuccessful, the value included above would be written down.

**11. Fixed asset investments**

| <b>Group</b>                        | <i>Goodwill on<br/>acquisition of<br/>Associate<br/>£000</i> | <i>Share of<br/>Associate's<br/>Net Deficit<br/>£000</i> | <i>Listed<br/>Investments<br/>£000</i> | <i>Total<br/>£000</i> |
|-------------------------------------|--|--|--|-----------------------|
| <i>Cost</i>                         |  |  |  |                       |
| At beginning of year                | —  | —  | —                                      | —                     |
| Additions                           | 267  | (117)  | 50                                     | 200                   |
| At end of year                      | 267  | (117)  | 50                                     | 200                   |
| Amortisation<br>Charge for the year | 8  | —  | —                                      | —                     |
| At end of year                      | 8  | —  | —                                      | —                     |
| Net book value<br>At 30 April 2006  | 259  | (117)  | 50                                     | 192                   |

The market value of the listed investments was £33,333 at 30 April 2006.

| <b>Company</b>       | <i>Investment<br/>in<br/>Associate<br/>£000</i> | <i>Listed<br/>investment<br/>£000</i> | <i>Loan to<br/>group<br/>undertaking<br/>£000</i> | <i>Shares in<br/>group<br/>undertaking<br/>£000</i> | <i>Total<br/>2006<br/>£000</i> | <i>Shares in<br/>group<br/>undertaking<br/>2005<br/>£000</i> |
|----------------------|---|---------------------------------------|---|---|--------------------------------|--|
| <i>Cost</i>          |   |                                       |   |   |                                |  |
| At beginning of year | —   | —                                     | —   | 150   | 150                            | —  |
| Additions            | 150   | 50                                    | 454   | —   | 654                            | 150  |
| At end of year       | 150   | 50                                    | 454   | 150   | 804                            | 804  |

The Company's subsidiary undertakings at the year end were a 100% interest in the ordinary shares of:

Gold Oil Perú, a company registered in Perú whose principal activity is exploration of oil and gas.

The Company also had a 50% interest in the ordinary shares of:

Northern Petroleum Exploration Ltd., a company registered in the United Kingdom whose principal activity is the production of oil and gas in Spain. The last accounting period end was 30 September 2005.

**12. Debtors**

|   | 2006         |                | 2005         |                |
|---|--------------|----------------|--------------|----------------|
|   | <i>Group</i> | <i>Company</i> | <i>Group</i> | <i>Company</i> |
|   | <i>£000</i>  | <i>£000</i>    | <i>£000</i>  | <i>£000</i>    |
| Trade debtors   | —            | —              | 14           | —              |
| Other debtors   | 173          | 32             | 5            | 5              |
| Amounts owed by subsidiary and associate undertakings | 111          | 111            | —            | 12             |
| Prepayments and accrued income                        | 6            | 6              | 20           | 15             |
|   | <u>290</u>   | <u>149</u>     | <u>39</u>    | <u>32</u>      |

**13. Creditors: amounts falling due within one year**

|                              | 2006         |                | 2005         |                |
|------------------------------|--------------|----------------|--------------|----------------|
|                              | <i>Group</i> | <i>Company</i> | <i>Group</i> | <i>Company</i> |
|                              | <i>£000</i>  | <i>£000</i>    | <i>£000</i>  | <i>£000</i>    |
| Trade creditors              | 67           | 59             | 91           | 89             |
| Other creditors              | 5            | 2              | 4            | 3              |
| Accruals and deferred income | 31           | 31             | 21           | 21             |
|                              | <u>103</u>   | <u>92</u>      | <u>116</u>   | <u>113</u>     |

**14. Called up share capital**

|  | 2006        | 2005        |
|--|-------------|-------------|
|  | <i>£000</i> | <i>£000</i> |
| <b>Authorised</b>                                    |             |             |
| 400,000,000 ordinary shares of £0.00025 each         | <u>100</u>  | <u>100</u>  |
| <b>Allotted, called up and fully paid</b>            |             |             |
| Equity: 359,150,000 ordinary shares of £0.00025 each | <u>90</u>   | <u>86</u>   |

On 29 June 2005, 3,750,000 ordinary shares were issued at 1p per share on the exercise of warrants.

On 28 September 2005, 100,000 ordinary shares were issued at 1p per share on the exercise of warrants.

On 28 February 2006, 10,000,000 ordinary shares were issued at 1p per share.

On 8 March 2006, 100,000 ordinary shares were issued at 1p per share.

On 2 May 2006, 5,000,000 ordinary shares were issued at 7.5p per share.

On 16 May 2006, 4,020,000 ordinary shares were issued at 7.5p per share.

On 8 June 2006, 36,155,000 ordinary shares were issued at 7.5p per share.

On 13 June 2006, 6,825,000 ordinary shares were issued at 7.5p per share.

On 16 August 2006, 1,000,000 ordinary shares were issued at 7.5p per share.

On 7 September 2006, 575,000 ordinary shares were issued on the exercise of warrants

**15. Share premium and reserves**

|                           | <i>Share<br/>premium<br/>account<br/>£000</i> | <i>Profit and<br/>loss<br/>account<br/>£000</i> |
|---------------------------|---|---|
| <b>Group</b>              |   |   |
| At beginning of year      | 3,868   | (374)   |
| Loss for the period       | —   | (557)   |
| Foreign Exchange Reserves | —   | (3)   |
| Premium on share issues   | 136   | —   |
| At end of year            | <u>4,004</u>                                  | <u>(934)</u>                                    |
|                           |   |   |
|                           | <i>Share<br/>premium<br/>account<br/>£000</i> | <i>Profit and<br/>loss<br/>account<br/>£000</i> |
| <b>Company</b>            |   |   |
| At beginning of year      | 3,868   | (277)   |
| Loss for the period       | —   | (383)   |
| Premium on share issues   | 136   | —   |
| At end of year            | <u>4,004</u>                                  | <u>(660)</u>                                    |

**16. Reconciliation of Movements in Shareholders' Funds for the year ended 30 April 2006**

|                                    | <i>2006<br/>£000</i> | <i>2005<br/>£000</i> | <i>2006<br/>£000</i> | <i>2005<br/>£000</i> |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | <i>Group</i>         |                      | <i>Company</i>       |                      |
| <b>Opening shareholders' funds</b> | 3,580                | —                    | 3,677                | —                    |
| Loss for the financial year        | (557)                | (374)                | (383)                | (277)                |
| Foreign exchange reserves          | (3)                  | —                    | —                    | —                    |
| Increase in share capital          | 140                  | 3,954                | 140                  | 3,954                |
| <b>Closing shareholders' funds</b> | <u>3,160</u>         | <u>3,580</u>         | <u>3,434</u>         | <u>3,677</u>         |

**17. Reconciliation of operating losses to operating cash flows**

|  | <i>2006<br/>£000</i> | <i>2005<br/>£000</i> |
|--|----------------------|----------------------|
| Operating loss                             | (698)                | (383)                |
| Depreciation and Amortisation              | 14                   | —                    |
| (Increase) in debtors                      | (255)                | (39)                 |
| Increase in creditors                      | (14)                 | 116                  |
| Foreign exchange reserves                  | 3                    | —                    |
| Net cash outflow from operating activities | <u>(950)</u>         | <u>(306)</u>         |

**18. Analysis of cash flows**

|   | <i>2006</i><br><i>£000</i> | <i>2005</i><br><i>£000</i> |
|---|----------------------------|----------------------------|
| <b>Returns on investment and servicing of finance</b> |                            |                            |
| Interest received                                     | 141                        | 9                          |
| <b>Capital expenditure and financial investment</b>   |                            |                            |
| Purchase of tangible fixed assets                     | (4)                        | (25)                       |
| Purchase of Investments                               | (50)                       | —                          |
| Purchase of Associate                                 | (150)                      | —                          |
| Purchase Intangible asset                             | (299)                      | —                          |
| Total   | (503)                      | (25)                       |
| <b>Management of liquid resources</b>                 |                            |                            |
| Increase in short term bank deposits                  | —                          | 1,800                      |
| <b>Financing</b>                                      |                            |                            |
| Issue of ordinary share capital                       | 140                        | 3,954                      |

**19. Directors' emoluments and interests**

The directors who held office during the period are shown below along with their interests in the 0.025p ordinary shares of the company.

|                            | <i>Interest at<br/>end of<br/>period</i> | <i>Interest at<br/>start of<br/>period</i> |
|----------------------------|--|--|
| <b>Executive directors</b> |  |  |
| M N Burchell               | 3,000,000                                | 3,000,000                                  |
| P G Mahony                 | —  | —  |
| J G Moore                  | 20,000,000                               | 20,000,000                                 |

Directors' emoluments and other benefits are as listed below.

|                         | <i>2006</i><br><i>£000</i> | <i>2005</i><br><i>£000</i> |
|-------------------------|----------------------------|----------------------------|
| Directors' remuneration | 42                         | 14                         |
| Directors' fees         | 98                         | 38                         |
|                         | 140                        | 52                         |

Warrants held by the directors are as follows:

|                                      | <i>No. of<br/>Warrants</i> |
|--------------------------------------|----------------------------|
| M N Burchell                         | 2,300,000                  |
| J G Moore                            | 9,200,000                  |
| P G Mahony                           | 2,300,000                  |
| Total Warrants held by the directors | 23,000,000                 |



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**20. Financial instruments**

The Group's financial instruments comprise trade creditors, cash and short term deposits and equity shares.

The Group has cash at bank. This is placed on short term deposit to maximise the group's liquid resources and no interest rate hedging is undertaken.

*Short-term debtors and creditors*

The Group has taken advantage of the exemptions available under FRS 13 and excluded Short-term debtors and creditors from its disclosure of financial instruments. The Group does not presently have any long term debtors or creditors.

*Foreign currency risk*

The Group reports in sterling. However, a significant proportion of its activities may be undertaken in foreign currencies. Exchange rates are monitored in conjunction with forecast currency requirements and the Group will enter into forward exchange contracts to hedge its foreign currency exposure where appropriate. No forward foreign exchange contracts were entered into during the period. There were no outstanding foreign exchange contracts at the start of the period or at the end of the period.

**21. Contingent Liabilities**

The Group has given guarantees of \$150,000 to PerúPetro SA to fulfil agreements to explore certain areas.

**22. Related party disclosures**

Gold Oil Plc is listed on the Alternative Investment Market (AIM) operated by the London Stock Exchange. At the date of the Annual Report in the Directors opinion there is no controlling party.

## APPENDIX 1: NOTICE OF ANNUAL GENERAL MEETING

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# Gold Oil Plc

(the “Company”)

*(Incorporated and registered in England and Wales with registered number 05098776 )*

### Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Finsgate, 5-7 Cranwood Street, London EC1V 9EE on Wednesday 22 November 2006 at 11 a.m. for the following purposes:

#### As Ordinary Business

To consider, and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions of the Company.

#### Ordinary Resolutions

1. To receive the Company's annual accounts for the financial year ended 30 April 2006 together with the Reports of the Directors and Auditors thereon (“Accounts”).
2. To re-appoint Jeffreys Henry LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which the Accounts are laid before Members of the Company and to authorise the directors to determine their remuneration.
3. To re-appoint John Gary Moore as a Director of the Company who retires in accordance with Article 105 of the Articles of Association of the Company
4. THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (“the Act”), and in substitution for all existing authorities in such regard, to allot relevant securities (within the meaning of Section 80(2) of that Act) of the Company up to an aggregate nominal amount of £146,818 provided that this authority shall expire on the date of the next Annual General Meeting of the Company or, if earlier, the date being 15 months after the passing of this resolution PROVIDED THAT the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities pursuant to such an offer or agreement as if the authority conferred hereby had not expired.

#### As Special Business

To consider, and, if thought fit, pass the following resolution which will be proposed as a special resolution of the Company.

#### Special Resolution

5. THAT the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of s.94 (2) of the Act) wholly for cash pursuant to the general authority conferred on the Directors pursuant to Resolution 5 above as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue or of any other pre-emptive offer of equity securities to holders of equity securities where the equity securities respectively attributable to the interests of all holders are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or any legal or practical difficulties under the laws or the requirements of any regulatory body or stock exchange in any territory or otherwise; and

- 
- (b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal value of £146,818, and shall expire on the date of the next Annual General Meeting of the Company or, if earlier, the date being 15 months after the passing of this Resolution, PROVIDED THAT the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

In this Resolution the expression 'equity securities' and references to the allotment of equity securities shall bear the same respective meanings as in section 94 of the Act.

By Order of the Board

P G Mahony  
*Company Secretary*

20 September 2006

*Registered Office:*  
 Finsgate  
 5-7 Cranwood Street  
 London EC1V 9EE

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and, on a poll, to vote instead of the member.
  2. To be valid, the enclosed Form of Proxy must be completed and lodged together with the Power of Attorney or any other authority (if any) under which it is signed, or a notarially certified copy thereof, at the offices of the Company's Registrars, Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland not less than forty eight hours (48) before the time appointed for holding the meeting or of any adjournment of the meeting.
  3. Completion and return of a form of a proxy will not preclude a member from attending and voting at the meeting if they so wish to do so.
  4. Copies of the Directors' contracts of service and letters of appointment with the Company or with any of its subsidiaries, and the register of Directors' interests in the shares of the Company are available for inspection at the Registered Office during normal business hours (Saturdays and Sundays excepted), until the Annual General Meeting and at the Annual General Meeting for a period of 15 minutes before the commencement until the conclusion of the Annual General Meeting.
  5. In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised. In the case of joint shareholders the vote of the senior who tends a vote in person or by proxy, will be accepted to the exclusion of the vote of the other registered holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of the members.
  6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001/3755), Reg. 41(1) and (2), only those shareholders on the register of members at 11 a.m. on the 20 November 2006 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than 48 hours, then to be so entitled, shareholder must be entered on the Company's register of members at the time which is 48 hours before the time appointed for holding the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
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## APPENDIX 2: FORM OF PROXY

## Gold Oil Plc

## FORM OF PROXY

I/We (Block Letters).....  
 of.....  
 being a member/members of the above-named Company hereby appoint the Chairman of the Meeting or\*  
 of.....  
 as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Finsgate, 5-7 Cranwood Street, London EC1V 9EE on 22 November, 2006 at 11 a.m. and at any adjournment thereof. I/We direct that my/our vote(s) be cast on the Resolutions as indicated by an X in the appropriate box.

## ORDINARY RESOLUTIONS

## Resolution No 1 – to receive Accounts

For

☐

Against

☐

Withheld

☐

## Resolution No 2 – to re-appoint Jeffrey's Henry LLP as Auditors and to authorise the Directors to determine the remuneration of the Auditors

☐☐☐

## Resolution No 3 – to elect John Gary Moore as a Director

☐☐☐

## Resolution No 4 – to provide the Directors with authority to allot relevant securities

☐☐☐

## SPECIAL RESOLUTION

## Resolution No 5 – to authorise the Directors to allot equity securities pursuant to section 95 of the Companies Act 1985

☐☐☐

\* If it is desired to appoint another person as a proxy these words should be deleted and the name and address of the proxy, who need not be a member of the Company, inserted. Unless otherwise directed, and in respect of any other resolution properly moved at the Meeting, the proxy will vote, or may abstain from voting, as he thinks fit,

DATED THIS ..... day of ..... 2006

SIGNATURE .....

## Notes:

- Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) of his own choice to attend and, on a poll, to vote in his place. Forms of Proxy together with any Power of Attorney or other authority under which it is excepted or a notarially certified copy thereof, must be completed and to be valid, must reach the Register of the Company at Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland
- not less than forty eight (48) hours before the time appointed for the holding of the meeting.
- The appointment of a proxy does not preclude a member from attending and voting at the meeting.
- If the appointer is a corporation, this form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
- In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote of the other registered holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
- If you wish to appoint as proxy someone other than the Chairman of the Meeting, please delete the words "the Chairman of the Meeting" and insert the name and address of the person you wish to appoint in the space provided. A proxy need not be a member.
- Only those shareholders on the register of members at 11.00 a.m. on 20 November 2006 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than forty eight (48) hours, then to be so entitled, shareholders must be entered on the Company's register of members at the time which is forty eight (48) hours before the time appointed for holding the adjourned meeting, or if the Company gives notice of the adjourned meeting, at the time specified in that notice.



3rd FOLD and TUCK IN



Affix  
Postage  
Stamp  
Here

Computershare Investor Services (Ireland) Limited,  
Heron House,  
Corrig Road,  
Sandyford Industrial Estate,  
Dublin 18,  
Ireland

1st FOLD

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