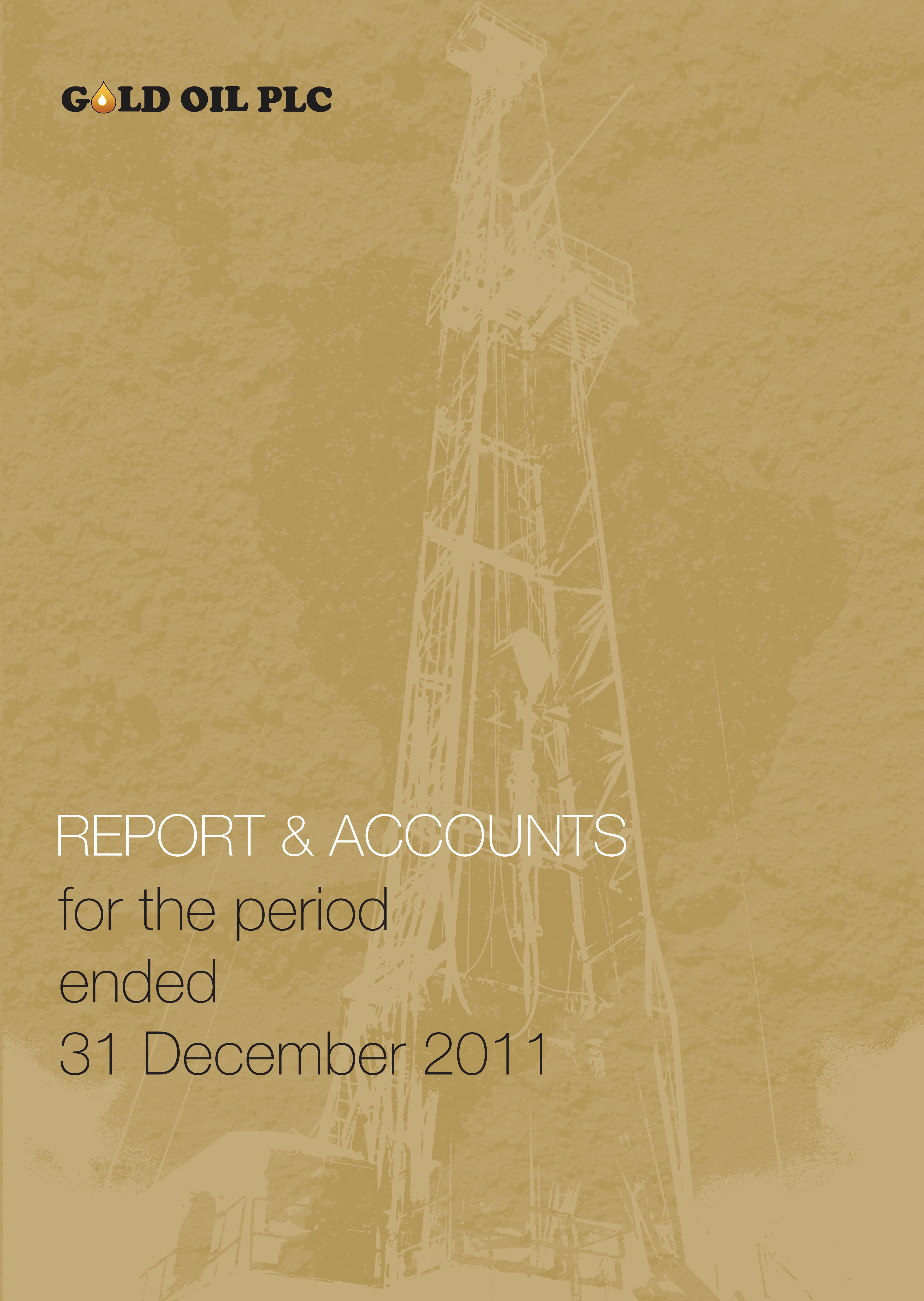
GOLD OIL PLC



REPORT & ACCOUNTS

for the period
ended
31 December 2011

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1 Corporate Information

Directors	**John Bell** Chairman **Richard Mew** Chief Executive Officer (Resigned 31 May 2012) **Julian Garcia,** Director and Country Manager Colombia **Ian Reid** Exploration Director **Thomas Tidow** Operations Director (Resigned 24 May 2012) **Dr John Charlton** Non-Executive Director **Guy Cowan** Non-Executive Director	
Registered Office	Finsgate 5-7 Cranwood Street London EC1V 9EE	
Company Secretary	**Geoffrey Barnes**	
Auditors	**Jeffreys Henry LLP** Finsgate 5-7 Cranwood Street London EC1V 9EE	
Solicitors	**Kerman & Co LLP** 200 Strand London WC2R 1DJ	
Nominated Adviser	**Seymour Pierce Limited** 20 Old Bailey London EC4M 7EN	
Joint Brokers	**Seymour Pierce Limited** 20 Old Bailey London EC4M 7EN	**FirstEnergy LLP** 85 London Wall London EC2M 7AD
Registrars	**Computershare Investor Services (Ireland) Limited** Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland	
Communications	Website www.goldoilplc.com	
Financial PR advisers	**Buchanan** 107 Cheapside London EC2V 6DN	
Company number	5098776 (England and Wales)	

2 Corporate Statement

Gold Oil Plc ("the Company") is an independent oil and natural gas exploration and exploitation company focused on Southern America. Shares in the Company are quoted on the AIM market in London – (Stock Quote GOO.L).

The Company is seeking to maintain a balanced portfolio of high-risk high reward exploration and low risk cash flow projects by establishing significant licence positions concentrated in a few geographic areas. The Company, and its subsidiaries (together "the Group" or "Gold Oil") currently has significant acreage and is recognised as an operator for both onshore and offshore Peru, and is an operator of production through its 100% subsidiary Inversiones Petroleras de Colombia SAS (also known as Invepetrol SAS) in onshore Colombia and has interests in exploration licences in onshore Colombia.

The Group's objective is to deliver shareholder value through capital appreciation.

3 Chairman's Statement

I am pleased to have the opportunity to present this statement to shareholders of the Company reflecting a year of progress for the Company.

Shareholders should note that the farm out process of Z34 is still in progress. Whilst it may be frustrating to some shareholders that this is taking some time, it is important that the process should be completed in accordance with the requirements of the farminees. A huge amount of data from the 3D seismic acquisition over a large part of the block has been processed and this requires detailed analysis as part of due diligence by any potential farminee. Whilst a number of the original interested parties have lately withdrawn from the process, we continue to pursue the farmout with the remaining interested operators.

Many of the announcements regarding our progress over the past two years have made disappointingly little difference to our share price. However each step we have taken has improved and added value cumulatively to our portfolio of assets. I am confident that, in time, the results of our efforts will be manifested in the share price performance.

In Colombia we have increased production in the Nancy Burdine Maxine ("NBM") field as a result of the work- over predicated by our earlier reservoir studies. Our local presence and relationship building is now showing benefits and recognition in the country. We have experienced some delays in our earlier proposed work programme on NBM largely as a result of forward planning related to our application to the Colombian national oil company, Ecopetrol, for an extension beyond 2015. We are working closely with Ecopetrol to reach a mutually agreeable work programme application which should allow us to undertake enhanced oil recovery to the benefit of all parties. We believe that there is significant potential remaining in these fields to increase reserves and production significantly from today's levels, within a prudent framework of an extension to the existing contract with Ecopetrol.

Our efforts in Peru have been very positive and the 2D seismic interpretation on Block Z34 which took place in at the time of my initial investment in the Company, followed by the decision to acquire 3D seismic was necessary to identify drillable prospects for potential farminees.We are making good progress on the Environmental Impact Assessment work required by the Peruvian regulator and expect the assessment to be accepted late 2012. This should result in formal Government regulatory approval for drilling on Block Z34. Subject to the agreement of any future farm-in partner we would hope to begin drilling the first well in the first quarter of 2013.

The change of government in Peru following last year's elections and certain changes within the various departments of the regulator, has delayed the assignment of Block XXI to our valued farminee, Vale. The formal approval for the assignment has now been received and we expect Vale to complete the process in three to four weeks

Gran Tierra spudded La Vega East on 14 May 2012 and at time of writing this report was making good progress. The well is expected to take 35 days to drill so results should be known at the time of the AGM. Gran Tierra believes a successful discovery finding oil could flow at rates of between 1500 and 2000bopd if all targets are oil bearing, which would be 300 to 400bopd net to Gold Oil. Overall, this is positive for the Company, but the real value to be added will result from the successful farm out of the Block Z34 in Peru.

An independent evaluation of Block Z34 in the form of a competent person's report was commissioned from Degolyer and MacNaughton (D&M). This concluded that there is a mean prospective resource certified by D&M of a combined 2.02 billion barrels of oil with a mean potential net present value of US$ 2.6 billion.

More details of the Company's operations are contained in the Operations Report (below).

To facilitate the further growth of the Company, in particular to finance the future development of NBM, to increase reserves and production, and to take advantage of opportunities to increase our portfolio, the Company may need to raise additional equity capital and would like the flexibility to do so. Your Board is therefore proposing Resolutions to disapply pre-emption rights so as to allow the Company to issue up to 200 million shares for cash at an appropriate time.

3 Chairman's Statement

Management changes

Thomas Tidow left the board of Gold Oil Plc on 23 May 2012 but continues as Country Manager for Peru reporting to Exploration Director Ian Reid. Richard Mew resigned from Gold Oil Plc on 31 May 2012.

As we enter a new phase in our development and following these recent changes to management, we are close to finalising a restructuring of the board so as to prepare Gold Oil Plc for the opportunities and challenges that lie ahead and I expect to make a further announcement in this regard shortly.

Melbourne support is expected to cease this calendar year to reduce overheads and in future administration and operations management will be centralised in Colombia.

Finance and financial results

In order to align the accounting years of the holding and operating companies we have changed the financial year-end to 31 December. Consequently this report covers the eight month financial period ended 31 December 2011.

The audited financial results for the eight months to 31 December 2011 record an operating loss of £473,000 (30 April 2011 loss of £1,549,000 for the twelve month period). The loss per share was (0.08p). No dividend is being declared. Group debt is zero, although there are amounts outstanding due to contractors and suppliers.

The results for the period under review were adversely impacted by the following one off events:

(a) A charge of £138,000 relating to the remediation of the Rosa Blanca 1 and 2 well sites as required under the licence, and

(b) A charge of £177,000 relating to the immediate write off of a tax charge in Colombia.

Conclusions

I would like to thank the Gold Oil Board, management team and employees in the field for their contribution and commitment during the year and in particular to thank our loyal shareholders for their valuable continued support.

There remains a considerable amount of risk involved but I believe in my technical team, in the prospectivity of the Peruvian assets, and in the production potential of our Colombian assets.

We firmly believe the energy industry remains one of the few great investment opportunities in these volatile economic times and when conditions are right we will seek to consolidate our presence through organic moves and acquisitions within strong economically performing and highly prospective Latin American countries.

With our shareholders' support I look forward to the future of the Company, building on the foundations of 2011, and working on the best returns from our investment through added asset value, organic growth projects and selective acquisitions when appropriate.

With your support, we expect these to deliver shareholder value to you.

John Bell
Chairman

6 June 2012

4 Operations Report

The short term focus has been to mature the prospectivity of Block Z34 which lies offshore Peru through the acquisition, processing and interpretation of 3D marine seismic data. Success in gaining a partner for the block on attractive farm-in terms is crucial to move this asset on to the drilling stage so as to realise its great potential value and I would hope following a discovery we could fast track production. The medium to long term focus of the Company is to continue developing its other assets and to position itself for growth such as improving production and increasing our reserves and daily production. This will enable us to compete for new acreage that is currently no longer within our reach because of changing entry levels in the countries we are focussed on. This will require capital and we must be poised for seizing the opportunities as they arise with a strengthening share price and improved market conditions.

Peru Highlights

Block Z34 Offshore

Block Z34 is located in the offshore Talara Basin of Peru and covers 3,713 sq km. Exploration in the basin began onshore in 1868 and the basin has since produced 1.6 billion barrels. The USGS (2004) estimated that 1.71 billion barrels recoverable remains to be discovered in the basin of which 85% is expected offshore. Block Z34 is an attractive extension of the productive Talara Basin and is unexplored with no wells drilled in the bulk of the permit area.

Gold Oil Plc acquired in excess of 800sq km of 3D seismic data in mid-2011 in order to define locations for exploration wells planned for 2012/2013.The main focus in Peru has been to confirm the prospectivity of Block Z34 by completing the processing and interpretation of the 3D marine seismic data which was acquired during the period under review. Having confirmed prospectivity, planning of drilling was initiated and active engagement with prospective farm-in partners commenced.

In order to confirm the prospectivity of the block a competent person's report was commissioned from Degolyer and MacNaughton. The report assessed the unrisked potential of the Z34 block to be over 2 billion barrels of oil.

To reduce the lead time to first exploration wells, an environmental application for offshore drilling was made late last year and suitable rig opportunities are being sought, in particular where it is possible to share rigs, and thereby minimise mobilisation and demobilisation costs.

Block Z34 covers 371,339 hectares and is bordered to the East by Block Z2B, which is already producing. Gold Oil Plc holds 100% of the Z34 block through two wholly owned subsidiaries.

Block XXI Onshore

Block XXI is located in the Sechura Basin of northwest Peru. The basin currently produces commercial oil and gas in the nearby Olympic gas field and oil from the offshore San Pedro field. The block covers 3,030 sq km.

The farmout of Block XXI to Vale Oil and Gas (part of the Brazilian mining group) was signed during early 2011. Under the agreement Vale is to take 70% equity in the block in return for a consideration in cash of $2million and a commitment to fund a further exploration/appraisal programme up to a cap of $10million. The assignment process is moving ahead somewhat slowly due to management change in PeruPetro following the election of a new Government in Peru during 2011; however it is now awaiting the final approval and signature of the President, which is anticipated shortly.

The Geotechnical Company Fugro (Fugro Airborne Surveys Corp.) was commissioned to undertake the acquisition and processing of 8,000 line km's of aeromagnetic and aero gravimetric data over the block. This survey allows the Joint Venture partners to define more effectively the future 2D seismic acquisition areas and also assist in the delineation of attractive targets for exploration drilling.

4 Operations Report

Following this airborne survey it is expected that seismic data acquisition can be planned for the most attractive areas in 2012, with a well to be drilled in 2013, subject to gaining the necessary permits.

Gold Oil Plc currently holds 100% through its wholly owned subsidiary, but is farming down to 30% to Vale. In return Vale will receive a 70% interest in the Block and will become Operator after assignment.

Colombia Highlights

Nancy Burdine Maxine Fields

The Nancy Burdine Maxine field area is operated by Inversiones Petroleras de Colombia SA ("Invepetrol") the Operator and a 100% subsidiary of Gold Oil Plc, on behalf of the Union Temporal or joint venture. The fields consist of the Nancy and Burdine oilfields in the Putumayo Basin of southern onshore Colombia. The fields are held under an association contract with Ecopetrol (the Colombian state oil Company).

The Nancy-1 well continues to produce at a rate of 250-350 bopd with zero watercut. The crude is produced by artificial means using a downhole jet pump which provides for simplicity of operation in a relatively remote area. Sand influx into the well bore impacts on the efficiency of the pump system leading to fluctuating production levels.

Following the investment in the Burdine workovers during 2011, production from the two fields has increased from previous levels and has now stabilised at around 550 bopd (150 bopd net to Gold Oil after royalty). After a period of long term production test, permanent facilities are being put in place. The Company is looking at ways of further optimising the production from the wells and reducing uplift costs so as to maximise cash flow. Through its 100% subsidiary Invepetrol the Company has engaged with Ecopetrol to negotiate the extension of the existing contract beyond its expiry in late 2015. If obtained it would allow the Company and its partners to develop further the potential in these fields. A 2D seismic programme and a Nancy- 2 development well is being considered alongside the negotiations to extend the production licence. These would be undertaken in the context of a renegotiated extension with Ecopetrol and are part of those discussions with them. Our focus on NBM is to reduce uplifting costs and secure the extension beyond 2015.

Gold Oil Plc holds a 58.05% working interest in the Nancy Burdine Maxine area, held through its wholly owned subsidiary and block Operator Invepetrol. The block covers 10,598 hectares.

Azar Block

The Azar block is in the Putumayo basin onshore southern Colombia. It is operated on behalf of the joint venture by GranTierra Energy. The block is now significantly covered by high quality 3D seismic and a portfolio of low risk prospects has been identified.

The La Vega Este and La Vega Sur prospects are confirmed as drilling locations. The first well to be drilled is La Vega Este -1 which spudded on 14th May 2012 and was expected to take around 35 days to drill excluding any testing of hydrocarbons that might be found.

The Azar Block covers 20,897 hectares and is bordered by several significant oil fields in the prolific Putumayo basin. It is located to the northeast of the Company's existing Nancy and Burdine oil fields.

Azar is an E&P contract with ANH. Gold Oil Plc has a 20% working interest in the Azar Block (subject to ANH approval) through a wholly owned subsidiary, and under an existing commercial arrangement has an obligation to fund only 10% of costs for the La Vega Este-1 well.

4 Operations Report

Production

In the period under review the Company produced approximately 30,000 net barrels of oil. This is broadly in line with expectations and is approximately 14,000 net barrels higher than the equivalent period last year do and an increase of some 87.5% over the same period last year.

We have in previous years had a statement of the net oil reserves and resources prepared by an external consultant. The Board has decided this year, after a cost benefit review not to commission a reserves report on the basis that the stated reserves would most likely be the same as that reported last year minus the production reported above. In view of the fact that the Burdine long term production test is now completed with two additional wells being brought on stream and permanent facilities being installed the Company will undertake an external consultants review of the Burdine production and geoscience data to reflect our expectation that there may be a change to the amounts of reserves and resources in this oil field.

Health, Safety and Environment (HSE) Management

The Company is implementing a world class HSE management system which is work in progress across the Company's entire operations with significant improvements in Company practices. No HSE events of significance were reported over the period of this report.

I Reid
Exploration Director

6 June 2012

5 Report of the Directors

The directors submit their report together with the audited financial statements of Gold Oil Plc ("the Company") and its subsidiaries (collectively "the Group"), for the period ended 31 December 2011.

Directors

The following are biographical details of the directors of Gold Oil Plc:

John Bell Chairman
John Bell (aged 64) is CEO, and sole shareholder of Australian Drilling Associates Pty. Ltd. ("ADA"), a well engineering and drilling project management company headquartered in Melbourne Australia, established in 1994. He is also the sole shareholder of Sheer Energy Pty Ltd. Mr. Bell has over 30 years experience in exploration and production drilling, having commenced his career as a drilling engineer with British Petroleum in the North Sea in 1974. He held various positions with oil companies and drilling contractors working, in the Middle East, North Africa, the UK, Norway and Canada before joining BHP in Australia 1988. Mr. Bell co-founded his first private well engineering and drilling project management company in Australia in 1994. He successfully introduced offshore multi-operator consortium management in Australia and South East Asia. He also co-founded an E&P company with exploration assets in Western Australia, Victoria and West Africa.

Richard Mew Chief Executive Officer
Richard Mew (aged 56) is a highly experienced senior executive in the oil industry with particular experience in business development. Richard was until recently the Director of Business Development for Centrica Energy where he was responsible for all upstream acquisitions, divestments, and business development activity. Prior to Centrica, Richard held senior management positions with ChevronTexaco, Amerada Hess and Conoco all with a business development focus.

Julian Garcia Director and Country Manager Colombia
Julian Garcia (aged 53), joined the Company in November 2011 and has considerable experience in Colombia, most recently as the President of Gran Tierra Energy in Bogota. Prior to that he was General Manager with Emerald Energy Plc in Colombia and Technical Director of the National Hydrocarbons Agency of Colombia (ANH) where he was largely responsible for introducing the current oil and gas licensing legislation. He also has 10 years experience working for BP, both in Colombia and the UK, and Ecopetrol for 4 years. Julian has a diverse range of experience in the oil and gas business with significant achievements in a number of senior managerial positions ranging from general management, joint ventures, commercial, finance, planning and operations, both within Colombia and also internationally.

Ian Reid Exploration Director
Ian Reid (aged 50), trained as a petroleum geologist at the Royal School of Mines, Imperial College, London. He had a 14 year career with Shell International in Holland, New Zealand, Oman, Australia, Vietnam and Norway where he undertook senior roles in petroleum geoscience. Since 1997 he has been a consultant in Australia for the petroleum and geothermal industries, working for Government and industry. Mr Reid is a non-executive director of Panax Geothermal Ltd. listed in Australia.

Thomas Tidow Operations Director
Thomas Tidow (Age 53) graduated with a degree in Mechanical Engineering from Stuttgart in 1985 and was granted an Executive MBA from the IESE Business School in Barcelona, Spain in 1992. Following a career in the German automotive sector, Thomas entered the natural resources sector and worked in senior management positions for Repsol, Vopak and Shell both in Peru and internationally. He has held the Country Manager position for Gold Oil Peru since the formation of the company in 2004 and has joint German and Peruvian nationality.

5 Report of the Directors

Dr John Charlton Non-Executive Director
Dr John Charlton (aged 68) had a successful career with ICI where he rose to the position of Group Treasurer leading the finance function with around 1,000 qualified staff worldwide, John moved to Kvaerner the Anglo Norwegian engineering and construction Group where he was appointed Chief Financial Officer. Since leaving Kvaerner in 2001, John has served on a number of boards including Biofuels Corporation PLC, Bateman Litwin N.V. and Potatopak Limited, and has been the CFO of Trikona Advisers Ltd, the manager of AIM listed Trinity Capital PLC.

Guy Cowan Non-Executive Director
Guy Cowan (aged 60) is a dual qualified UK Chartered Accountant and US CPA. Mr Cowan has had a 23 year career with Shell during which his responsibilities included a regional focus on Colombia, Peru, and Chile, and was Commercial Director of SPDC Nigeria and CFO of Shell Oil USA. From February 2005 to February 2009, Mr. Cowan was CFO of Fonterra Co-operative Group, one of the world's leading dairy companies headquartered in New Zealand. Mr. Cowan was born in Argentina and has lived and worked in Latin America for over 30 years and is currently non executive director of two listed companies in Australia.

Principal activities

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

Business review

A review of the Group's business during the financial period and its likely development is given in the Operations Report.

Proposed dividend

The directors do not recommend the payment of a dividend in respect of the financial period ended 31 December 2011.

Political and charitable contributions

In the period ended 31 December 2011 the Group made no political or charitable contributions.

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. The creditor's days as at 31 December 2011 were 86 days (year ended 30 April 2011 – 81 days).

Activities and results

A loss of £673,000 (year ended 30 April 2011 – £1,579,000) was recorded for the period. Net assets of the Group at 31 December 2011 amounted to £18,533,000 (30 April 2011 – £18,891,000). 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 period end and details of the Company's plans for the next year are given in the Operations Report.

5 Report of the Directors

Key performance indicators

At this stage in the company's development, the key performance indicators that the directors monitor on a regular basis are management of liquid resources that is cash-flows and bank balances and also general administrative expenses, which are tightly controlled. Specific exploration-related key performance indicators that will be relevant in the future include: the probability of geological success (Pg), the probability of commerciality or completion (Pc) and the probability of economic success (Pe).

The following table summarises the key changes in the two KPIs during the period.

	Period ended 31 December 2011 £'000	**Year ended 30 April 2011 £'000**
Liquid cash reserves	5,084	10,484
Administrative expenses	781	1,947

Key risks and uncertainties

Exploration for hydrocarbons is speculative and involves significant degrees of risk. The key risks and their impact to the Group are summarised below along with the impact on the Group and the action that the board take to minimise those risks.

Oil prices

Gold Oil's results are strongly influenced by oil prices which are dependent on a number of factors impacting world supply and demand. Due to these factors, oil prices may be subject to significant fluctuations from year to year. The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international petroleum exchanges.

Impact

Oil prices can fluctuate widely and could have a material impact on the Group's asset values, revenues, earnings and cash flows. In addition, oil price increases could cause supply or capacity constraints in areas such as specialist staff or equipment.

Action

The Group keeps under regular review its sensitivity to fluctuations in oil prices. The Group does not as a matter of course hedge oil prices, but may enter into a hedge programme for oil where the Board determines it is in the Group's interest to provide greater certainty over future cash flows.

Liquidity risk

The Group is exposed to liquidity risks, including the risk that borrowing facilities are not available to meet capital expenditure requirements, and the risk that financial assets cannot readily be converted to cash without the loss of value.

Impact

Failure to manage financing risks could have a material impact on the Group's cash flows, earnings and financial position as well as reducing the funds available to the Group for working capital, capital expenditure, acquisitions, dividends and other general corporate purposes.

Action

The Group manages liquidity risk by maintaining adequate committed borrowing facilities and working capital funds. The Board monitors the net debt level of the Group taking into consideration the expected outlook of the Group.

5 Report of the Directors

Taxation

As the tax legislation in Colombia and Peru is developing, tax risks are substantially greater than typically found in countries with more developed tax systems. Tax law is evolving and is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose severe fines, penalties and interest charges.

Impact

The uncertainty of interpretation and application, and the evolution, of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's cash flows, earnings and financial position.

Action

The Group makes every effort to comply with tax legislation, The Group is also of the opinion that all its contracts in Peru and Colombia are tax compliant. The Group takes appropriate professional tax advice and works closely with the tax authorities to ensure compliance.

The environment

The Company is firmly committed to protecting the environment wherever we do business. We will do our upmost to minimise the impact of the business on the environment. Both the Company and its employees will try and be recognised by regulatory agencies, environmental groups and governments where we do business for our efforts to safeguard the environment.

Community

We believe it is our responsibility as a good corporate citizen to improve the quality of life in the communities in which we do business. Where we can we will seek to contribute towards local cultural and educational organisations.

Future outlook

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

Directors' interests

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

	31 December 2011		30 April 2011	
	Number of Ordinary shares	% Holding	Number of Ordinary shares	% Holding
J R Bell*	–	–	–	–
R Mew (Resigned 31 May 2012)	2,375,000	0.27%	825,000	0.09%
J Garcia (Appointed 13 February 2012)	–	–	–	–
I Reid	2,614,606	0.29%	2,614,606	0.29%
T Tidow (Resigned 24 May 2012)	1,447,566	0.16%	1,447,566	0.16%
Dr J Charlton	250,000	0.03%	125,000	0.01%
G Cowan	250,000	0.03%	250,000	0.03%
	6,937,172	0.78%	5,262,172	0.58%

5 Report of the Directors

Warrants and options held by the directors are as follows:

	31 December 2011 Number of options £0.04**	30 April 2011 Number of options £0.04**
T Tidow (Resigned 24 May 2012)	6,500,000	6,500,000

	Number of options £0.055***	Number of options £0.055***
J R Bell	10,000,000	–
R Mew (Resigned 31 May 2012)	10,000,000	–
J Garcia (Appointed 13 February 2012)	–	–
I Reid	4,000,000	–
T Tidow (Resigned 24 May 2012)	4,000,000	–
Dr J Charlton	2,000,000	–
G Cowan	2,000,000	–
	32,000,000	–

*J R Bell shareholding in the company is held via Sheer Energy Pty Ltd. Sheer Energy Pty Ltd holds 142,511,810 ordinary shares representing 15.99% of the ordinary share capital of the company (30 April 2011 – 142,511,810 shares – representing 16.01% of the ordinary share capital of the company).

**Each £0.04 warrant grants the holder the right to subscribe for one Ordinary Share at £0.04 per share, and are granted under two separate options contracts, the first to be exercisable at any time prior to 30 April 2012, and the second any time prior to 17 February 2013. Since the period end the 30 April 2012 options expired without being exercised.

***Each £0.055 warrant grants the holder the right to subscribe for one Ordinary Share at £0.055 per share, and are granted under one option contract exercisable at any time prior to 26 October 2014.

There have been no contracts or arrangements of significance during the period 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.

Remuneration policy

The Remuneration 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 established a good position with acreage, assets, income and cash at hand. All current salaries are without pension benefits.

5 Report of the Directors

Basic salaries

Basic salaries are reviewed annually or when individuals change positions or responsibility or the Company's position changes. Details of the fees are shown below.

	31 December 2011 £	30 April 2011 £
Chairman		
J R Bell (appointed 5 May 2010)	20,000	25,156
M Pritchard (resigned 8 November 2010)	–	15,446
Executive Directors		
R Mew (appointed 18 August 2010), (resigned 31 May 2012)	209,757	171,474
J Garcia (appointed 13 February 2012)	–	–
I Reid (appointed 5 May 2010)	174,297	209,140
T Tidow (resigned 24 May 2012)	119,429	128,793
Non Executive Director		
Dr J Charlton (appointed 18 August 2010)	16,667	17,596
G Cowan (appointed 5 May 2010)	16,667	24,711
	556,817	592,316

The share options held by the directors are disclosed above and no pension contributions were made during the period for the directors.

Employees

The Group seeks to keep employees informed and involved in the operations and progress of the business by means of regular staff meetings by country open to all employees and directors.

The Group operates an equal opportunities policy. The policy provides that full and fair consideration will be given to disabled applications for employment and that existing employees who become disabled will have the opportunity to retrain and continue in employment wherever possible.

Events after the reporting period

The directors' are not aware of any events after the reporting period that require disclosure in the annual report.

5 Report of the Directors

Financial review

Liquidity & Share Trading

The Board believes that high liquidity is important in attracting both small and institutional investors to Gold Oil. During the last financial period Gold Oil has had a reasonably high stock liquidity on the E&P sector on AIM.

Shares in Issue and Shareholders Profile

The number of shares in issue at 22 May 2012 was 891,513,025 Ordinary Shares, each share having equal voting rights.

Gold Oil Plc has 1,390 shareholders.

The shareholding distribution at 22 May 2012 is as follows:

Range	Number of shares	Number of shareholders
>10%	282,511,810	2
5-10%	49,336,527	1
1-5%	305,109,414	16
0.5-1%	80,212,617	15
<0.5%	174,342,657	1,356
	891,513,025	1,390

Significant shareholdings

The Company has been informed that, as of 22 May 2012, the following shareholders own 3% or more of the issued share capital of the Company:

Name	Shares	% of company
Sheer Energy Pty Limited*	142,511,810	15.99
Mrs Janet Parvisi	140,000,000	15.70
Lynchwood Nominees	49,336,527	5.53
Mr Mark Pritchard	42,500,000	4.77
Barclayshare Nominees Limited	35,502,285	3.98
TD Direct Investing Nominees	33,464,458	3.75
Total	443,315,080	49.72

*The shares are beneficially owned by J R Bell.

Listing

The Company's ordinary shares have been traded on London's Alternative Investment Market (AIM), since 14 July 2004. Seymour Pierce Limited are the Company's Nominated Advisor and FirstEnergy LLP are the Company's Joint Broker. The closing mid market share price at 31 December 2011 was 2.61p (30 April 2011 – 3.6p).

Financial instruments

Details of the financial risk management objectives and policies, and details on the use of financial instruments by the Company and its subsidiary undertakings, are provided in note 21 to the financial statements.

5 Report of the Directors

Going concern

With the cash reserves the Group's medium term investment plans in Peru 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 basis for the preparation and reporting of accounts has been adopted.

Publication on company's website

Financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the financial statements contained therein. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other countries.

Indemnity of officers

The Group may purchase and maintain, for any director or officer, insurance against any liability and the Group does maintain appropriate insurance cover against legal action bought against its directors and officers.

By order of the Board

Geoffrey Barnes
Secretary

6 June 2012

6 Corporate Governance Statement

The directors recognise the importance of sound corporate governance commensurate with the Group's size and the interests of shareholders. As the Group grows, policies and procedures that reflect the FRC's UK Corporate Governance Code will be developed. So far as is practicable and appropriate, taking into account the size and nature of the Company, the directors will take steps to comply with the UK Corporate Governance Code.

The Board

The board comprises four executive directors and three non-executive directors, details of who are contained in the Report of the Directors included in this report.

The board meets at least four times a year.

The board is responsible for the strategy, review and approval of acquisition opportunities, capital expenditures, budgets, trading performance and all significant financial and operational issues.

The Audit Committee

The Audit Committee is comprised of two directors with Guy Cowan as chairman and John Charlton as the other member. The Audit Committee meets at least twice a year and the external auditors have the opportunity to meet with the Audit Committee without any executive management being present. The Audit Committee´s 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.

The Remuneration Committee

The Remuneration Committee is comprised of three directors with John Bell as chairman, Guy Cowan and John Charlton are the other members. The Remuneration Committee determines the contract terms, remuneration and other benefits of the directors and senior employees. The Remuneration Committee meets as required, but at least twice a year.

The Nominations Committee

Due to the small size of the Group, it is not considered necessary to have a Nominations Committee at this time in the Company´s development and the board reserves to itself the process by which a new director is appointed.

Communications

The Company provides information on Group activities by way of press releases, Interim and Annual Accounts and also the website (www.goldoilplc.com). The Company website is updated regularly and contains all operational reports, press releases and Interim and Annual Accounts.

Internal control

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

7 Statement of Directors' Responsibilities

in respect of the Financial Statements

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period in accordance with applicable law International Financial Reporting Standards ("IFRS") as adopted by the European Union, which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Group 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 prudent;
- 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.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group 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 Group'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

A resolution for the reappointment of Jeffreys Henry LLP as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

John Bell
Chairman

6 June 2012

8 Report of the Independent Auditors

to the Members of Gold Oil Plc

We have audited the financial statements of Gold Oil Plc for the period ended 31 December 2011, which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated statement of cash flows, company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all financial and non-financial information in the Corporate Statement, Chairman's Statement, Operations report, Corporate Governance Statement and Directors report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, of the state of the Group's and Parent Company's affairs as at 31 December 2011 and of the Group's loss and the Group's and Parent Company's cash flows for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been properly prepared in accordance with the Companies Act 2006.

8 Report of the Independent Auditors

to the Members of Gold Oil Plc

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jonathan Issacs
Senior Statutory Auditor
For and on behalf of Jeffreys Henry LLP, Statutory Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE
United Kingdom

6 June 2012

9 Consolidated Income Statement

for the eight month period ended 31 December 2011

	Notes	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000 (As restated)
Revenue		1,076	1,168
Cost of sales		(667)	(816)
Gross profit		409	352
Development expenditure written off	3	(138)	(39)
Administration expenses		(781)	(1,947)
Other operating Income		37	85
Operating loss	3	(473)	(1,549)
Finance cost	5	(32)	(39)
Finance income	5	37	7
(Loss) on ordinary activities before taxation		(468)	(1,581)
Income tax (expense)/benefit	6	(205)	2
(Loss) for the year		(673)	(1,579)
(Loss) on ordinary activities after taxation is attributable to:			
Equity shareholders		(673)	(1,579)
		(673)	(1,579)
Earnings per ordinary share – continuing	8		
Basic		(0.08p)	(0.27p)
Diluted		(0.08p)	(0.27p)

10 Consolidated Statement of Comprehensive Income

for the eight month period ended 31 December 2011

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000
(Loss) on ordinary activities after taxation attributable to the parent	(673)	(1,579)
Other comprehensive income:		
Exchange difference on translating foreign operations	286	(7)
Total comprehensive income for the period/year	(387)	(1,586)
Total comprehensive income attributable to Owners of the parent	(387)	(1,586)

11 Consolidated Statement of Financial Position

as at 31 December 2011

	Notes	As at 31 December 2011 £'000	As at 30 April 2011 £'000
ASSETS			
Non current assets			
Property plant and equipment			
– oil and gas assets	9	1,596	1,117
Intangibles	10	10,672	4,724
Goodwill	11	2,191	2,191
Deferred tax	6	–	177
		14,459	8,209
Current assets			
Inventories	13	118	60
Trade and other receivables	14	917	1,066
Cash and cash equivalents	15	6,369	11,684
		7,404	12,810
Total assets		21,863	21,019
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent			
Share capital	17	223	222
Share premium account	18	25,323	25,295
Foreign exchange translation reserve	18	898	612
Retained earnings	18	(7,911)	(7,238)
Total equity		18,533	18,891
Current liabilities			
Trade and other payables	16	3,163	1,329
Taxes payable	16	167	189
Short term loans	16	–	610
		3,330	2,128
Total equity and liabilities		21,863	21,019

The financial statements were approved and authorised for issue by the Board of Directors on 6 June 2012 and were signed on its behalf by:

John Bell
Director

Guy Cowan
Director

Company number: 5098776

12 Company Statement of Financial Position

as at 31 December 2011

	Notes	As at 31 December 2011 £'000	As at 30 April 2011 £'000
ASSETS			
Non current assets			
Property plant and equipment			
– oil and gas assets	9	1,181	841
Intangibles	10	4,433	2,318
Investments	12	8,227	5,475
Deferred tax	6	–	177
		13,841	8,811
Current assets			
Inventories	13	30	–
Trade and other receivables	14	863	911
Cash and cash equivalents	15	5,960	11,236
		6,853	12,147
Total assets		20,694	20,958
EQUITY AND LIABILITIES			
Capital and reserves attributable to owners of the parent			
Share capital	17	223	222
Share premium account	18	25,323	25,295
Foreign exchange translation reserve	18	107	(305)
Retained earnings	18	(9,240)	(8,594)
Total equity		16,413	16,618
Current liabilities			
Trade and other payables	16	4,113	3,531
Taxes payable	16	168	199
Short term loans	16	–	610
		4,281	4,340
Total equity and liabilities		20,694	20,958

The financial statements were approved and authorised for issue by the Board of Directors on 6 June 2012 and were signed on its behalf by:

John Bell
Director

Guy Cowan
Director

Company number: 5098776

13 Consolidated and Company Statement of Changes in Equity

for the eight month period ended 31 December 2011

GROUP

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Foreign Exchange Translation £'000	Total Equity £'000
As at 1 May 2010	125	10,800	1,964	(5,659)	619	7,849
Shares issued	83	12,545	–	–	–	12,628
Shares to be issued	14	1,950	(1,964)	–	–	–
Transactions with owners	97	14,495	(1,964)	–	–	12,628
(Loss) for the year	–	–	–	(1,579)	–	(1,579)
Foreign exchange translation adjustments	–	–	–	–	(7)	(7)
Total comprehensive income for the year	–	–	–	(1,579)	(7)	(1,586)
As at 30 April 2011	222	25,295	–	(7,238)	612	18,891
Shares issued	1	28	–	–	–	29
Transactions with owners	1	28	–	–	–	29
(Loss) for the period	–	–	–	(673)	–	(673)
Foreign exchange translation adjustments	–	–	–	–	286	286
Total comprehensive income for the period	–	–	–	(673)	286	(387)
As at 31 December 2011	223	25,323	–	(7,911)	898	18,533

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

Other reserves represents amounts received from future shareholders for shares, but for which shares had not actually been issued at the balance date.

Retained earnings represents the cumulative loss of the group attributable to equity shareholders.

Foreign exchange translation occurs on consolidation of the translation of the subsidiaries balance sheets at the closing rate of exchange and their income statements at the average rate.

13 Consolidated and Company Statement of Changes in Equity

for the eight month period ended 31 December 2011

COMPANY

	Share Capital £'000	Share Premium £'000	Other Reserves £'000	Retained Earnings £'000	Foreign Exchange Translation £'000	Total Equity £'000
As at 1 May 2010	125	10,800	1,964	(6,980)	15	5,924
Shares issued	83	12,545	–	–	–	12,628
Shares to be issued	14	1,950	(1,964)	–	–	–
Transactions with owners	97	14,495	(1,964)	–	–	12,628
(Loss) for the year	–	–	–	(1,614)	–	(1,614)
Foreign exchange translation adjustments	–	–	–	–	(320)	(320)
Total comprehensive income for the year	–	–	–	(1,614)	(320)	(1,934)
As at 30 April 2011	222	25,295	–	(8,594)	(305)	16,618
Shares issued	1	28	–	–	–	29
Transactions with owners	1	28	–	–	–	29
(Loss) for the period	–	–	–	(646)	–	(646)
Foreign exchange translation adjustments	–	–	–	–	412	412
Total comprehensive income for the period	–	–	–	(646)	412	(234)
As at 31 December 2011	223	25,323	–	(9,240)	107	16,413

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

Other reserves represents amounts received from future shareholders for shares, but for which shares had not actually been issued at the balance date.

Retained earnings represents the cumulative loss of the company attributable to equity shareholders.

Foreign exchange translation occurs on consolidation of the translation of the subsidiaries balance sheets at the closing rate of exchange and their income statements at the average rate.

14 Consolidated and Company Statement of Cash Flows

for the eight month period ended 31 December 2011

	Group Eight month period ended 31 December 2011 £'000	Company Eight month period ended 31 December 2011 £'000	Group Year ended 30 April 2011 £'000	Company Year ended 30 April 2011 £'000
Operating activities	271	483	(124)	(556)
Investing activities				
Return from investment and servicing of finance	37	32	7	3
Acquisition of investment assets	–	–	–	(359)
Loans advanced to subsidiaries	–	(2,936)	–	–
Acquisition of intangible assets	(4,240)	(1,717)	(1,349)	(1,070)
Acquisition of tangible fixed assets	(843)	(598)	(967)	(739)
	(5,046)	(5,219)	(2,309)	(2,165)
Financing activities				
(Costs)/proceeds from issue of share capital	(15)	(15)	11,211	11,211
Repayment of loans	(610)	(610)	–	–
Net cash (outflow)/inflow	(5,400)	(5,361)	8,778	8,490
Cash and cash equivalents at the beginning of the period/year	10,484	10,036	1,706	1,546
Cash and cash equivalents at the end of the period/year	(5,084)	4,675	10,484	10,036
Reconciliation to Consolidated Statement of Financial Position				
Cash and cash equivalents (Refer to note 15)	6,369	5,960	11,684	11,236

Notes to the Statement of Cash Flows

	Group Eight month period ended 31 December 2011 £'000	Company Eight month period ended 31 December 2011 £'000	Group Year ended 30 April 2011 £'000	Company Year ended 30 April 2011 £'000
Operating activities				
Loss for the period/year	(673)	(649)	(1,579)	(1,614)
Depreciation, amortisation and impairment charges	364	258	319	307
Impairment of investment	–	161	–	40
Finance income shown as an investing activity	(37)	(32)	(7)	(3)
Tax expense/(benefit)	205	202	(2)	(18)
Foreign exchange translation	286	515	(7)	(320)
Operating cash inflows/(outflows) before movements in working capital	145	455	(1,276)	(1,608)
(Increase)/Decrease in inventories	(58)	(30)	55	–
(Increase)/Decrease in receivables	149	47	(215)	294
Tax paid	(50)	(56)	(148)	(7)
Increase/(Decrease) in payables	85	67	1,460	765
Net cash inflows/(outflows) from operating activities	271	483	(124)	(556)

15 Notes to the Financial Statements

for the period ended 31 December 2011

General information

Gold Oil Plc is a company incorporated in England and Wales and quoted on the AIM market of the London Stock Exchange. The address of the registered office is disclosed on page 2 of the financial statements. The principal activity of the Group is described in the Report of the Directors in section 5.

1 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern basis

These financial statements have been prepared on the assumption that the Group is a going concern.

When assessing the foreseeable future, the directors have looked at a period of twelve months from the date of approval of this report. The forecast cash-flow requirements of the business are contingent upon the ability of the Group to generate future sales and seek investment partners for its assets.

The uncertainty as to the timing and volume of the future growth in sales and source of funds from investment partners requires the directors to consider the group's ability to continue as a going concern. Notwithstanding this uncertainty, the directors believe that the group has demonstrated progress in achieving its objective of positioning the assets for future investment.

After making enquiries, the directors firmly believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Were the Group to be unable to continue as a going concern, adjustments may have to be made to the statement of financial position of the Group to reduce statement of financial position values of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify non-current assets and long-term liabilities as current assets and liabilities.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretations issued by the International Accounting Standard Board (IASB) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

New and amended standards adopted by the Company

The company has adopted the following new and amended IFRSs as of 1 May 2011:

- IAS 32 (amendment), 'Financial instruments: presentation – classification of rights issue', is effective from annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the company after initial application.
- IAS 24 (Amendment), 'Related party transactions'. The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The company does not expect any impact on its financial position or performance.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

New and amended standards adopted by the Company continued

- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the company.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the company.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 May 2011 and have not been early adopted:

- IFRS 9, 'Financial instruments: classification and measurement', as issued reflects the first phase of the IASB work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 might have an effect on the classification and measurement of the company's assets. At this juncture it is difficult for the company to comprehend the impact on its financial position and performance.
- IFRS 7, 'Financial instruments: disclosures (amendment), is effective for annual periods beginning on or after 1 July 2011. The amendments requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them and where financial assets are not derecognised in their entirety. In addition to the above there has been a subsequent amendment effective for annual periods beginning on or after 1 January 2013 related to the offsetting of financial assets and financial liabilities. The adoption of these will have no effect on the financial statements of the company.
- IAS 12, 'Income taxes (amendment) – Deferred taxes: recovery of underlying assets', is effective for annual periods beginning on or after 1 January 2012. It introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will derecognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis would need to be adopted. The amendments also introduce the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 should always be measured on a sale basis. The adoption of this interpretation will have no effect on the financial statements of the company.
- IFRS 11 joint Arrangements is effective from 1 January 2013. The core principle of the standard is that a party to a joint arrangement determines type of joint arrangements in which it is involved by assessing the rights and obligations and accounts for those rights and obligations in accordance with the type of joint arrangement. Joint ventures now must be accounted for using the equity method. Joint operator which is a newly defined term recognises its assets, liabilities, revenues and expenses and relative shares thereof. The adoption of this will have no effect on the financial statements of the company.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Standards, interpretations and amendments to published standards that are not yet effective continued

- IFRS 12 Disclosures of Interests with Other Entities is effective from 1 January 2013. It requires increased disclosure about the nature, risks and financial effects of an entity's relationship with other entities along with its involvement with other entities. The adoption of this will have no effect on the financial statements of the company.

- IFRS 13 Fair Value Measurement is effective from 1 January 2013. It defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. It includes a three-level fair value hierarchy which priorities the inputs in a fair value measurement. The adoption of this will have no effect on the financial statements of the company.

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests with Other Entities along with related amendments to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures will have an effective date of 1 January 2013. Early adoption of these standards is permitted, but only if all five are early adopted together.

  IFRS 10 does not change consolidation procedures but changes whether an entity is consolidated by revising the definition of control and provides a number of clarifications on applying the new definition of control. The adoption of this will have no effect on the financial statements of the company.

- IFRS 1 First-time Adoption of International Financial Reporting Standards (amendment) – Severe Hyperinflation and removal of Fixed Dates for First-time adopters has an effective date for annual periods beginning on or after 1 July 2011. This provides further guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. Early adoption of these standards is permitted. The adoption of this will have no effect on the financial statements of the company.

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 is effective for annual periods beginning on or after 1 July 2012. Items that would be reclassified to the profit and loss at a future point would be presented separately from items that will never be capitalised. The adoption of this will have no effect on the financial statements of the company.

- IAS 19 Employee Benefits (Revised) effective for annual periods beginning on or after 1 January 2013. For defined benefit plans the ability to defer recognition of actuarial gains and losses has been removed. There are new objectives for disclosure stated in the revised standard along with new or revised disclosure requirements. Plus the recognition of termination benefits and the distinction of short-term and other long-term employee benefits have changed. The adoption of this will have no effect on the financial statements of the company.

- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine effective for annual periods beginning on or after 1 January 2013. The interpretation only applies to stripping costs incurred during the production phase of a surface mine (production stripping costs). These costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". Where costs cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, the Interpretation requires an entity to use an allocation basis that is based on a relevant production measure. The adoption of this will have no effect on the financial statements of the company.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Basis of consolidation

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

Subsidiaries

Subsidiaries are all entities over which Gold Oil Plc has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

The Group is engaged in oil and gas exploration and appraisal through unincorporated joint ventures. The Group accounts for its share of the results and net assets of these joint ventures as jointly controlled assets. The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. In addition, where the Group acts as operator of the joint venture, the gross liabilities and receivables (including amounts due to or from non-operating partners) of the joint venture are included in the Consolidated Statement of financial position.

Business combinations

The Group has chosen to adopt IFRS 3 prospectively from the date of transition and not restate historic business combinations from before this date. Business combinations from the date of transition are accounted for under IFRS 3 using the purchase method.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill to each business segment in each country in which it operates.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment.

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Intangible assets

Oil and gas assets: exploration and evaluation

The Group has continued to apply the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for the Evaluation of Mineral Resources'.

The successful efforts method means that only the costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Such costs may include costs of license acquisition, technical services and studies, seismic acquisition; exploration drilling and testing but do not include costs incurred prior to having obtained the legal rights to explore the area. Under successful efforts accounting, exploration expenditure which is general in nature is charged directly to the income statement and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised and to be depreciated over the lives of these reserves. The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. Exploration and evaluation costs are capitalised within intangible assets. Capital expenditure on producing assets is 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.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Intangible assets continued

Oil and gas assets: exploration and evaluation continued

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 tangible assets as 'Developed oil and gas assets' 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 and un-escalated price levels. Changes in reserves and cost estimates are recognised prospectively.

E&E costs are not amortised prior to the conclusion of appraisal activities.

Property, plant and equipment

Oil and gas assets: development and production

Development and production ("D&P") assets are accumulated on a well by well basis and represent the cost of developing the commercial reserves discovered and bringing them into production, together with the E&E expenditures incurred in finding commercial reserves transferred from intangible E&E assets as outlined above. The carrying values of producing assets are depreciated on a well by well basis using the unit of production method based on entitlement to provide by reference to the ratio of production in the period to the related commercial reserves of the well, taking into account any estimated future development expenditures necessary to bring additional non producing reserves into production.

An impairment test is performed for D&P assets whenever events and circumstances arise that indicate that the carrying value of development or production phase assets may exceed its recoverable amount. The aggregate carrying value is compared against the expected recoverable amount of each well, generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves.

The cost of the workovers and extended production testing is capitalised within property, plant and equipment as a D&P asset.

The D&P assets for Nancy-Burdine- Maxine wells are amortised evenly over the remaining life of the licence.

Decommissioning

Site restoration provisions are made in respect of the estimated future costs of closure and restoration, and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted where material and the unwinding of the discount is included in finance costs. Over time, the discounted provision is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the field to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or life of operations. Any change in restoration costs or assumptions will be recognised as additions or charges to the corresponding asset and provision when they occur. For permanently closed sites, changes to estimated costs are recognised immediately in the income Statement.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Property, plant and equipment continued

Non oil and gas assets

Non oil gas assets are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

Buildings, plant and equipment unrelated to production are depreciated using the straight-line method based on estimated useful lives.

The annual rate of depreciation for each class of depreciable asset is:

Motor vehicles	5 years
Equipment and machinery	4-10 years

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement.

Investments

Investments are stated at cost less provision for any impairment in value.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Inventories

Inventories, including materials, equipment and inventories of gas and oil held for sale in the ordinary course of business, are stated at weighted average historical cost, less provision for deterioration and obsolescence or, if lower, net realisable value.

Revenue

Oil and gas sales revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the Group's share of oil and gas supplied in the period. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. Revenue is recognised when the oil and gas produced is despatched and received by the customers.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Taxation

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the same income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the statement of financial position date approximated their fair values, due to relatively short term nature of these financial instruments.

The Company provides financial guarantees to licensed banks for credit facilities extended to a subsidiary company. The fair value of such financial guarantees is not expected to be significantly different as the probability of the subsidiary company defaulting on the credit lines is remote.

Share-based compensation

The fair value of the employee and suppliers services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each statement of financial position date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Share-based compensation continued

Share based payments (Note 19)

The fair value of share-based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

Equity instruments

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

Financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Foreign currencies

(i) **Functional and presentation currency**

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency), which are mainly in Pounds Sterling (£), US Dollars (USD), Colombian Pesos (COP) and Peruvian Nuevo Sol (PEN). The financial statements are presented in Pounds Sterling (£), which is the Group's presentation currency.

(ii) **Transactions and balances**

Foreign currency transactions are translated into the presentational currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Foreign currencies continued

(iii) **Group companies**

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Management of capital

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of committed expenditure in respect of its ongoing exploration work. To achieve this aim, it seeks to raise new equity finance and debt sufficient to meet the next phase of exploration and where relevant development expenditure.

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its ongoing exploration work prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

Dividends will be issued when there are sufficient reserves available.

Critical accounting judgments and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

Plant and equipment, intangible assets & impairment of goodwill

Intangible assets excluding goodwill and plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to the estimates used can result in significant variations in the carrying value.

The Group assesses the impairment of plant and equipment and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

15 Notes to the Financial Statements

for the period ended 31 December 2011

1 Significant accounting policies continued

Plant and equipment, intangible assets & impairment of goodwill continued

Additionally, goodwill arising on acquisitions is subject to impairment review. The Group's management undertakes an impairment review of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

The discount rate used by the group during the period for impairment testing was 10%.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to plant and equipment and intangible assets affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements.

The directors have carried out a detailed impairment review in respect of goodwill. The group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted at 10%. The cash flow projections are based on the assumption that the group can realise projected sales. A prudent approach has been applied with no residual value being factored. At the period end, based on these assumptions there was no indication of impairment of the value of goodwill.

However, if the projected sales do not materialise there is a risk that the value of the intangible assets shown above would be impaired.

Commercial reserves estimates

Oil and gas reserve estimates: estimation of recoverable reserves include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs all of which impact future cashflows. It also requires the interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in estimated reserves can impact developed and undeveloped property carrying values, asset retirement costs and the recognition of income tax assets, due to changes in expected future cash flows. Reserve estimates are also integral to the amount of depletion and depreciation charged to income.

Decommissioning costs

Asset retirement obligations: the amounts recorded for asset retirement obligations are based on each field's operator's best estimate of future costs and the remaining time to abandonment of oil and gas properties, which may also depend on commodity prices.

Share based payments (Note 19)

The fair value of share based payments recognised in the income statement is measured by use of the Black Scholes model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted; based on management's best estimate, for the effects of non ¬transferability, exercise restrictions and behavioural considerations. The share price volatility percentage factor used in the calculation is based on management's best estimate of future share price behaviour and is selected based on past experience, future expectations and benchmarked against peer companies in the industry.

The preparation of the consolidated financial statements requires management to make estimates and assumptions concerning the future that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The resulting accounting estimates will, by definition, differ from the related actual results.

Notes to the Financial Statements

for the period ended 31 December 2011

2 Segmental Information

In the opinion of the Directors the Group has one class of business, being the exploration for, and development and production of, oil and gas reserves, and other related activities.

The Group's primary reporting format is determined to be the geographical segment according to the location of the oil and gas assets. There are currently two geographic reporting segments: South America, which is involved in production, development and exploration activity, and the United Kingdom being the head office.

Exploration and production
Eight month period ended 31 December 2011

	United Kingdom £'000	South America £'000	Total £'000
Revenue – oil	–	1,076	1,076
Cost of sales	–	(667)	(667)
Gross profit	–	409	409
Development expenditure written off	–	(138)	(138)
Administration expenses	(499)	(282)	(781)
Other operating income	–	37	37
Operating (loss)/profit	(499)	26	(473)
Finance costs	(10)	(22)	(32)
Finance income	21	16	37
(Loss)/Profit before taxation	(488)	20	(468)
Income tax expense	–	(205)	(205)
(Loss)/Profit after taxation	(488)	(185)	(673)
Assets and liabilities			
Segment assets	242	15,252	15,494
Cash and cash equivalents	5,349	1,020	6,369
Total assets	5,591	16,272	21,863
Segment liabilities	898	2,265	3,163
Current tax liabilities	–	167	167
Total liabilities	898	2,432	3,330
Other segment items			
Capital expenditure	–	6,860	6,860
Depreciation, amortisation and impairment charges	–	364	364

15 Notes to the Financial Statements
for the period ended 31 December 2011

2 Segmental Information continued

Exploration and production
Year ended 30 April 2011

	United Kingdom £'000	South America £'000	Total £'000
Revenue – oil	–	1,168	1,168
Cost of sales	–	(816)	(816)
Gross profit	–	352	352
Development expenditure written off	(39)	–	(39)
Administration expenses	(1,682)	(265)	(1,947)
Other operating income	–	85	85
Operating (loss)/profit	(1,721)	172	(1,549)
Finance costs	(23)	(16)	(39)
Finance income	–	7	7
(Loss)/Profit before taxation	(1,744)	163	(1,581)
Income tax expense	6	(4)	2
(Loss)/Profit after taxation	(1,738)	159	(1,579)
Assets and liabilities			
Segment assets	664	8,671	9,335
Cash and cash equivalents	10,462	1,222	11,684
Total assets	11,126	9,893	21,019
Segment liabilities	925	1,014	1,939
Current tax liabilities	–	189	189
Total liabilities	925	1,203	2,128
Other segment items			
Capital expenditure	–	2,856	2,856
Depreciation, amortisation and impairment charges	–	319	319

15 Notes to the Financial Statements

for the period ended 31 December 2011

3 (Loss) from operations

The loss on ordinary activities before taxation is stated after charging:

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000
Pre-production costs	138	39
Auditors' remuneration		
Group – audit	38	51
Company – audit	12	12
Group – other non-audit services	1	7
Company – other non-audit services	1	7
Depreciation of non oil and gas assets	18	39
Depreciation of oil and gas assets	346	–
(Gain)/Loss on foreign exchange	(473)	355
Reversal of prior period intercompany provisions	–	(260)

The analysis of development and administrative expenses in the consolidated income statement by nature of expense is:

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 (As restated) £'000
Pre-production costs	138	39
Changes in inventories	–	35
Employee benefit expense	580	525
Depreciation, amortisation and impairment charges	18	319
Legal and professional fees	138	136
Technical consultancy	39	10
(Gain)/Loss on exchange	(473)	355
Other expenses	479	567
	919	1,986

15 Notes to the Financial Statements

for the period ended 31 December 2011

4 Staff numbers and cost

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

	Eight month period ended 31 December 2011 Number	Year ended 30 April 2011 Number
Directors	6	6
Technical and production	14	16
Administration	9	8
Total	29	30

The aggregate payroll costs of these persons were as follows:

	£'000	£'000
Wages and salaries	159	301
Directors' salaries	398	304
Social security costs	82	98
	639	703

In addition to the above figure for directors' salaries for the period ended 31 December 2011 is an amount of £113,757 (Year ended 30 April 2011 – £283,932) (of which £88,153 (Year ended 30 April 2011 – £134,138) has been capitalised as an intangible) of directors' fees paid to Sheer Energy Pty Ltd in respect of services provided by Ian Reid (Year ended 30 April 2011 – relates to Ian Reid and John Bell).

In addition to the above figures for period ended 31 December 2011 is an additional amount of £70,740 (Year ended 30 April 2011 – £77,226) that relates to payments to directors that have been capitalised within intangibles as this amount relates to payments to directors that is directly related to the intangible asset.

5 Finance income

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000
Bank interest received	37	7
Finance cost	(32)	(39)
Total	5	(32)

Finance costs relates to interest payable on loans repayable within 5 years and unwinding of discounted provisions.

15 Notes to the Financial Statements

for the period ended 31 December 2011

6 Income tax expense

The tax charge on the loss on ordinary activities was:

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000
UK Corporation Tax – adjustment to prior year	–	(6)
Foreign taxation	205	4
	205	(2)

The total charge for the year can be reconciled to the accounting profit as follows:

(Loss) before tax		
Continuing operations	(468)	(1,581)
Tax at domestic income tax rate of 28% (30 April 2011 – 28%)	(131)	(443)
Effects of:		
Profits/(Losses) not subject to UK tax	189	–
(Decrease)/Increase in tax losses	(58)	443
Adjustment to prior year tax	–	(6)
Foreign taxation	205	4
Tax expense/(benefit)	205	(2)

The Group has tax losses of £6,044,000 (30 April 2011 – £6,217,000) to carry forward against future profits. The deferred tax asset on these tax losses at 26% of £1,571,000 (30 April 2011 – at 28% £1,740,000) has not been recognised due to the uncertainty of the recovery.

Deferred tax

The balance at the year end is calculated as follows:

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000
Balance brought forward	177	–
Tax arising on foreign entities – tax on equity	(177)	177
Balance carried forward	–	177

7 Loss for the period

As permitted by section 408 of the Companies Act 2006, the Parent Company's income statement has not been included in these financial statements. The loss for the financial period/year is made up as follows:

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000
Parent company's loss	646	1,614

8 Earnings per share

	Eight month period ended 31 December 2011	Year ended 30 April 2011
Loss per ordinary share		
– Basic	(0.08p)	(0.27p)
– Diluted	(0.08p)	(0.27p)

Earnings per ordinary share is based on the Group's loss for the financial period of £673,000 (Year ended 30 April 2011 – £1,579,000).

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

	Eight month period ended 31 December 2011 Number	Year ended 30 April 2011 Number
Weighted average ordinary shares in issue during the year	890,393,229	595,295,923
Potentially dilutive warrants issued	18,120,408	9,500,000
Weighted average ordinary shares for diluted earnings per share	908,513,637	604,795,923

Due to the Group's results for the period/year, the diluted earnings per share is deemed to be the same as the basic earnings per share.

9 Property, plant and equipment

GROUP	Development and production costs £'000	Equipment and machinery £'000	Vehicles £'000	Total £'000
Cost				
At 1 May 2010	49	196	19	264
Expenditure	–	967	–	967
At 1 May 2011	49	1,163	19	1,231
Expenditure	–	834	–	834
Disposals	–	(5)	–	(5)
At 31 December 2011	49	1,992	19	2,060
Depreciation				
At 1 May 2010	–	56	19	75
Charge for the year	9	30	–	39
At 1 May 2011	9	86	19	114
Charge for the period	6	349	–	355
On disposals	–	(5)	–	(5)
At 31 December 2011	15	430	19	464
Net book value				
At 31 December 2011	34	1,562	–	1,596
At 30 April 2011	40	1,077	–	1,117

15 # Notes to the Financial Statements

for the period ended 31 December 2011

9 ## Property, plant and equipment continued

COMPANY	Development and production costs £'000	Equipment and machinery £'000	Total £'000
Cost			
At 1 May 2010	34	129	163
Expenditure	–	739	739
At 1 May 2011	34	868	902
Expenditure	–	596	596
Disposals	–	(5)	(5)
At 31 December 2011	34	1,459	1,493
Depreciation			
At 1 May 2010	–	35	35
Charge for the year	6	20	26
At 1 May 2011	6	55	61
Charge for the period	4	252	256
Eliminated on disposals	–	(5)	(5)
At 31 December 2011	10	302	312
Net book value			
At 31 December 2011	24	1,157	1,181
At 30 April 2011	28	813	841

10 ## Intangible fixed assets

GROUP	Licence £'000	Exploration and evaluation costs £'000	Total £'000
Cost			
At 1 May 2010	1,896	1,455	3,351
Expenditure	–	1,889	1,889
At 1 May 2011	1,896	3,344	5,240
Expenditure	–	6,026	6,026
Disposals	–	(432)	(432)
At 31 December 2011	1,896	8,938	10,834
Impairment			
At 1 May 2010	–	236	236
Charge for the year	–	280	280
At 1 May 2011	–	516	516
Charge for the period	–	78	78
Disposals		(432)	(432)
At 31 December 2011	–	162	162
Net book value			
At 31 December 2011	1,896	8,776	10,672
At 30 April 2011	1,896	2,828	4,724

15 Notes to the Financial Statements

for the period ended 31 December 2011

10 Intangible fixed assets continued

COMPANY	Licence £'000	Exploration and evaluation costs £'000	Total £'000
Cost			
At 1 May 2010	–	1,529	1,529
Expenditure	–	1,069	1,069
At 1 May 2011	–	2,598	2,598
Transferred from group companies	–	817	817
Expenditure	–	1,450	1,450
Disposals	–	(432)	(432)
At 31 December 2011	–	4,433	4,433
Impairment			
At 1 May 2010	–	–	–
Charge for the year	–	280	280
At 1 May 2011	–	280	280
Transferred from group companies	–	74	74
Charge for the period	–	78	78
Disposals	–	(432)	(432)
At 31 December 2011	–	–	–
Net book value			
At 31 December 2011	–	4,433	4,433
At 30 April 2011	–	2,318	2,318

The exploration and evaluation costs above represent the cost in acquiring, exploring and evaluating the company and group's assets. The Nancy Burdine Maxine oil fields have commercial reserves and are currently in production. The assets have been assessed for impairment. The appropriate provisions have been made.

The acquisition of licence relates to the 20% interest in the Azar field in Colombia through the company's subsidiary, Red River Capital Advisors SA. The value of the Group's investments in these assets is dependent on the successful exploration and potential development of the licences.

15 Notes to the Financial Statements

for the period ended 31 December 2011

11 Goodwill

GROUP	Goodwill on consolidation of subsidiaries £'000
Cost	
At 1 May 2010 and 1 May 2011	2,713
Adjustment for exchange rate differences	(372)
At 31 December 2011	2,341
Impairment	
At 1 May 2010 and 1 May 2011	150
Charge for the period	–
At 31 December 2011	150
Net book value	
At 31 December 2011	2,191
At 30 April 2011	2,191

The carrying value of goodwill represents the acquisition of Invepetrol SAS, which has an 18.05% interest in the Nancy-Burdine-Maxine oil fields which, when added to the Group's existing 40% interest in these assets, gives the Group control over these operations.

12 Investments

COMPANY	Loans to group undertaking £'000	Shares in group undertaking £'000	Total £'000
Cost			
At 1 May 2010	5,138	4,550	9,688
Expenditure	359	–	359
At 1 May 2011	5,497	4,550	10,047
Expenditure	2,835	–	2,835
Conversion of loans into shares	(2,589)	2,589	–
At 31 December 2011	5,743	7,139	12,882
Impairment			
At 1 May 2010	4,393	139	4,532
Charge for the year	29	11	40
At 1 May 2011	4,422	150	4,572
Charge for the period	95	(12)	83
Reclassification of impairment provision	(2,589)	2,589	–
At 31 December 2011	1,928	2,727	4,655
Carrying value			
At 31 December 2011	3,815	4,412	8,227
At 30 April 2011	1,075	4,400	5,475

In August 2008, the Group acquired the whole of the issued share capital of Invepetrol SAS, incorporated in Colombia, which holds an effective 18.05% interest in the Nancy-Burdine-Maxine oil fields. When added to the existing 40% interest held by the Group, this gives the Group control of the joint venture operating the operations.

12 Investments continued

During the period the company has converted some of its intercompany indebtedness with Gold Oil Peru SAC into shares. This was required in order to comply with Peruvian law. As a result of this the impairment provision that related to those loans has also been reclassified to shares.

The company has made provision on the outstanding loan to Gold Oil Peru S.A.C. of £1,928,000 (30 April 2011 – £4,422,000) as the company has not been unsuccessful with the exploration of onshore hydrocarbons.

The Group has recognised its 58.05% interest in the Nancy-Burdine-Maxine fields by incorporating its share of the assets and liabilities, and sales and results of the joint venture. The Company has also recognised its 40% interest. They are included in the balance sheet and income statement.

	100% of the joint venture	Group share at 58.05%	Company share at 40%
Assets			
Long-term assets	2,292	1,331	917
Current assets	1,545	897	618
Total assets	3,837	2,228	1,535
Liabilities			
Current liabilities	3,123	1,813	1,249
Net assets	714	415	286
Income	1,853	1,076	741
Cost of sales and expenses	(1,323)	(768)	(529)
Profit after income tax	530	308	212

There are no commitments or contingent liabilities relating to the group's interest in the joint venture, or within the venture itself.

The Company's subsidiary undertakings at the year end were as follows:

Subsidiary/ controlled entity	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment	Nature of business
Gold Oil Plc Sucursal Colombia	Colombia	100	100	equity method	Exploration and production of oil and gas
Gold Oil Peru S.A.C	Peru	100	100	equity method	Exploration of oil and gas
Gold Oil Caribbean Limited	Commonwealth of Dominica	100	100	equity method	Exploration of oil and gas
Ayoopco Ltd	England	100	100	equity method	Exploration and production of oil and gas
Red River Capital Advisors SA	Panama	100	100	equity method	Exploration and production of oil and gas
Union Temporal II & B (i)	Colombia	58.05	58.05	equity method	Exploration and production of oil and gas
Nexxus Energy Corporation	Panama	100	100	equity method	Holding company
Invepetrol SAS	Colombia	100 (ii)	100 (ii)	equity method	Exploration and production of oil and gas
Plectrum Petroleum Limited	England	100 (iii)	100 (ii)	equity method	Exploration and production of oil and gas
Plectrum Petroleum Plc Sucursal del Peru	Peru	100 (iv)	100 (iii)	equity method	Exploration and production of oil and gas
Invepetrol Limited	England	100	100	equity method	Exploration and production of oil and gas

15 Notes to the Financial Statements

for the period ended 31 December 2011

12 Investments continued

The results of subsidiaries is as follows:

	31 December 2011 £'000	30 April 2011 £'000
Gold Oil Plc Sucursal Colombia		
Aggregate capital and reserves	3,336	3,467
Profit for the period/year	(909)	288
Gold Oil Peru S.A.C		
Aggregate capital and reserves	209	(813)
Profit/(Loss) for the period/year	1	1
Gold Oil Caribbean Limited		
Aggregate capital and reserves	296	1,133
Profit for the period/year	–	–
Ayoopco Ltd		
Aggregate capital and reserves	12	100
(Loss) for the period/year	(86)	(11)
Red River Capital Advisors SA		
Aggregate capital and reserves	–	(13)
(Loss) for the period/year	(5)	(9)
Union Temporal II & B (i)		
Aggregate capital and reserves	415	276
Profit for the period/year	308	133
Nexxus Energy Corporation		
Aggregate capital and reserves	–	–
Profit/(loss)for the period/year	–	–
Invepetrol SAS		
Aggregate capital and reserves	256	296
Profit/(loss)for the period/year	(33)	153
Plectrum Petroleum Limited		
Aggregate capital and reserves	18,287	20,203
Profit for the period/year	–	2
Plectrum Petroleum Plc Sucursal del Peru		
Aggregate capital and reserves	3,439	–
Profit for the period/year	136	–
Invepetrol Limited		
Aggregate capital and reserves	–	–
Profit for the period/year	–	–

(i) The Union Temporal II & B ("UT") is a joint venture operating in the Nancy-Burdine-Maxine fields in southern Colombia.
(ii) Held by Gold Oil Caribbean Limited
(iii) Held by Plectrum Petroleum Limited

13 Inventories

	31 December 2011		30 April 2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Exploration materials and consumables	118	30	60	–

14 Trade and other receivables

	31 December 2011		30 April 2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade receivables	115	82	183	133
Other receivables	763	397	850	557
Amounts owed by subsidiary and associate undertakings	–	345	–	188
Prepayments and accrued income	39	39	33	33
	917	863	1,066	911

15 Cash and cash equivalents

	31 December 2011		30 April 2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank current accounts	3,366	3,255	180	150
Bank deposit accounts	3,003	2,705	11,504	11,086
	6,369	5,960	11,684	11,236

Bank deposit accounts comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and earn interest at respective short-term deposit rates. The carrying amount of these assets approximates to their fair value.

As at 31 December 2011, bank deposits included £1,285,393 (30 April 2011 – £1,200,000) that is being held as a guarantee in respect of a letter of credit and is not available for use until the Group fulfills certain licence commitments in Peru. This is not considered to be liquid cash and has therefore been excluded from the cash flow statement.

16 Trade and other payables

	31 December 2011		30 April 2011	
	Group £'000	Company £'000	Group £'000	Company £'000
Short term loans	–	–	610	610
Trade payables	2,489	889	926	726
Other payables	364	95	309	179
Amounts owed by subsidiary and associate undertakings	–	2,837	–	2,558
Accruals and deferred income	258	256	47	36
Provisions	52	36	47	32
Taxation	167	168	189	199
	3,330	4,281	2,128	4,340

The short term loans were repaid in September 2011 and attracted an interest at a rate of 4.5% per annum. One of the loans totalling £475,000 was secured by way of pledge against all of the assets of the subsidiary company Inversiones Petroleras de Colombia SA. The other loan totalling US $225,000 was unsecured.

15 Notes to the Financial Statements

for the period ended 31 December 2011

17 Share capital

	31 December 2011 £'000	30 April 2011 £'000
Allotted, called up and fully paid		
Equity: 891,513,025 (30 April 2011 – 889,963,025) ordinary shares of £0.00025 each	223	222

The following ordinary shares were issued in the period:

Shareholder	Number of shares	Placing Price	Nominal Value (£)
Richard Mew	1,550,000	£0.028	388
Total	1,550,000	£0.028	388

18 Share premium and reserves

GROUP	Share premium account £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At 1 May 2011	25,295	612	(7,238)
Loss for the period	–	–	(673)
Foreign exchange translation adjustments	–	286	–
Premium on share issues	43	–	–
Costs of issuing shares	(15)	–	–
At 31 December 2011	25,323	898	(7,911)

COMPANY	Share premium account £'000	Foreign exchange translation reserve £'000	Profit and loss account £'000
At 1 May 2011	25,295	(305)	(8,594)
Loss for the period	–	–	(646)
Foreign exchange translation adjustments	–	412	–
Premium on share issues	43	–	–
Costs of issuing shares	(15)	–	–
At 31 December 2011	25,323	107	(9,240)

15 Notes to the Financial Statements

for the period ended 31 December 2011

18 Share premium and reserves continued

Details of warrants issued, exercised and lapsed during the year together with warrants outstanding at 31 December 2011 are as follows:

Issue date	Final exercise date	Exercise price	1 May 2011 £'000	New issue £'000	Exercised £'000	Lapsed £'000	31 December 2011 £'000
1 May 2009	30 April 2012	£0.04	2,500	–	–	–	2,500
17 February 2010	17 February 2013	£0.04	7,000	–	–	–	7,000
26 October 2011	26 October 2014	£0.055	–	32,000	–	–	32,000
			9,500	32,000	–	–	41,500

Details of warrants issued, exercised and lapsed during the year together with warrants outstanding at 30 April 2011 are as follows:

Issue date	Final exercise date	Exercise price	1 May 2010 £'000	New issue £'000	Exercised £'000	Lapsed £'000	30 April 2011 £'000
1 May 2009	30 April 2012	£0.04	2,500	–	–	–	2,500
17 February 2010	17 February 2013	£0.04	7,000	–	–	–	7,000
			9,500	–	–	–	9,500

Each £0.04 warrant grants the holder the right to subscribe for one Ordinary Share at £0.04 per share, and are granted under two separate options contracts, the first to be exercisable at any time prior to 30 April 2012, and the second any time prior to 17 February 2013.

Since the end of the financial period the warrants that expire on 30 April 2012, did so without being exercised.

Each £0.055 warrant grants the holder the right to subscribe for one Ordinary Share at £0.055 per share, and are granted under one options contract exercisable at any time prior to 26 October 2014.

19 Share based payments

The fair values of the options granted have been calculated using Black-¬Scholes model assuming the inputs shown below:

Grant date	26 October 2011
Number of warrants granted	32,000,000
Share price at grant date	2.74p
Exercise price at grant date	5.5p
Option life	3 years
Risk free rate	2.25%
Expected volatility	20%
Expected dividend yield	0%
Fair value of option	0p

The warrants and options will not normally be exercisable during a closed period, and furthermore can only be exercisable if the performance conditions are satisfied. Subsisting warrants and options will lapse no later than 3 years after the date of grant. Warrants and options, which have vested immediately before either the death of a participant or his ceasing to be an eligible employee by reason of injury, disability, redundancy, retirement or dismissal (otherwise than for good cause) shall remain, exercisable (to the extent vested) for 12 months after such cessation, and all non¬vested options shall lapse.

15 Notes to the Financial Statements

for the period ended 31 December 2011

20 Directors' emoluments

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000
Directors' remuneration	383	381
Directors' fees	174	284
	557	665

Ian Reid's salary was paid to Sheer Energy Pty Ltd up until 30 September 2011 and to Terra Firma Technology Pty Ltd from 1 October 2011 and is recharged to Gold Oil via the consultancy agreements referred to in note 26 below. The amounts in note 26 are included Mr Reid's salary as disclosed in the directors' report.

Included in the above figure for 31 December 2011 is an amount £158,893 (30 April 2011 – £211,364) that relates to payments to directors that have been capitalised within intangibles as this amount relates to payments to directors' that is directly related to the intangible asset.

Highest paid director emoluments and other benefits are as listed below.

	Eight month period ended 31 December 2011 £'000	Year ended 30 April 2011 £'000
Remuneration	210	209

21 Financial instruments

The Group's activities expose it to a variety of financial risks: credit risk, cash flow interest rate risk, foreign currency risk, liquidity risk, price risk and capital risk. The Group's activities also expose it to non-financial risks: market risk. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

Financial instruments – Risk Management

The Group is exposed through its operations to the following risks:

- Credit risk
- Cash flow interest rate risk
- Foreign Exchange Risk
- Liquidity risk
- Price risk
- Capital risk
- Market risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

15 Notes to the Financial Statements

for the period ended 31 December 2011

21 Financial instruments continued

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Loans and receivables
- Trade and other receivables
- Cash and cash equivalents
- Short term investments
- Trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receive regular updates from the Executive Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies. The Group's credit risk is primarily attributable to its trade. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

As at 31 December 2011 the ageing analysis of trade receivables is as follows:

	Total £'000	Neither past due nor impaired £'000
31 December 2011	115	115
30 April 2011	183	183

Cash flow interest rate risk

The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are proactively managed in order to ensure that the maximum level of interest is received for the available funds but without affecting the working capital flexibility the Group requires.

The Group is not at present exposed to cash flow interest rate risk on borrowings as it has no significant debt. No subsidiary company of the Group is permitted to enter into any borrowing facility or lease agreement without the prior consent of the Company.

15 Notes to the Financial Statements

for the period ended 31 December 2011

21 Financial instruments continued

Interest rates on financial assets and liabilities

The Group's financial assets consist of cash and cash equivalents, loans, trade and other receivables. The interest rate profile at 30 April of these assets was as follows:

31 December 2011	**Financial assets on which interest earned £'000**	**Financial assets on which interest not earned £'000**	**Total £'000**
UK sterling	908	282	1,190
US dollar (USD)	4,388	–	4,388
Euro (EUR)	–	12	12
Colombian pesos (COP)	700	632	1,332
Peruvian Nuevo Sol (PEN)	109	255	364
	6,105	1,181	7,286

30 April 2011	**Financial assets on which interest earned £'000**	**Financial assets on which interest not earned £'000**	**Total £'000**
UK sterling	10,369	618	10,987
Euro (EUR)	9	–	9
Colombian pesos (COP)	1,036	453	1,489
Peruvian Nuevo Sol (PEN)	–	265	265
	11,414	1,336	12,750

The Group earned interest on its interest bearing financial assets at rates between 1% and 5% (2010 – 1% and 5%) during the year.

A change in interest rates on the statement of financial position date would increase/(decrease) the equity and the anticipated annual income or loss by the theoretical amounts presented below. The analysis is made on the assumption that the rest of the variables remain constant. The analysis with respect to 30 April 2011 was prepared under the same assumptions.

	Change of 1.0% in the interest rate as of			
	31 December 2011		**30 April 2011**	
	Increase of 1.0%	**Decrease of 1.0%**	**Increase of 1.0%**	**Decrease of 1.0%**
Instruments bearing variable interest (£'000)	61	(61)	114	(114)

It is considered that there have been no significant changes in cash flow interest rate risk at the reporting date compared to the previous period end and that therefore this risk has had no material impact on earnings or shareholders' equity.

15 Notes to the Financial Statements

for the period ended 31 December 2011

21 Financial instruments continued

Foreign exchange risk

Foreign exchange risk arises because the Group has operations located in various parts of the world whose functional currency is not the same as the functional currency in which other Group companies are operating. Although its geographical spread reduces the Group's operation risk, the Group's net assets arising from such overseas operations are exposed to currency risk resulting in gains and losses on retranslation into Sterling. Only in exceptional circumstances will the Group consider hedging its net investments in overseas operations, as generally it does not consider that the reduction in foreign currency exposure warrants the cash flow risk created from such hedging techniques. It is the Group's policy to ensure that individual Group entities enter into local transactions in their functional currency wherever possible and that only surplus funds over and above working capital requirements should be transferred to the parent company treasury. The Group considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy the Board through their approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts, considers the effectiveness of the policy on an ongoing basis.

The following table discloses the major exchange rates of those currencies utilised by the Group:

Foreign currency units to £1 UK Sterling (rounded)

	USD	EUR	COP	PEN
Average for period ended 31 December 2011	1.60	1.15	2,945	4.39
At 31 December 2011	1.56	1.18	3,021	4.21
Average for year ended 30 April 2011	1.57	1.17	2,979	4.42
At 30 April 2011	1.67	1.13	2,937	4.69

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain readily available cash balances (or agreed facilities) to meet expected requirements for a period of at least 60 days. The Group currently has no long term borrowings.

Price risk

Oil and gas sales revenue is subject to energy market price risk. The Group's oil and gas sales revenue in 2011 have been affected by the increase in crude oil price during this period.

Given current production levels, it is not considered appropriate for the Group to enter into any hedging activities or trade in any financial instruments, such as derivatives. This strategy will continue to be subject to regular review through 2012 as the production levels increase.

It is considered that price risk of the Group at the reporting date has not increased compared to the previous period end given the Group's increase in hydrocarbon production levels in percentage terms and the volatility in oil and gas prices seen during 2011 which has continued in to 2012.

15 Notes to the Financial Statements

for the period ended 31 December 2011

21 Financial instruments continued

Volatility of crude oil prices

A material part of the Group's revenue will be derived from the sale of oil that it expects to produce. A substantial or extended decline in prices for crude oil and refined products could adversely affect the Group's revenues, cash flows, profitability and ability to finance its planned capital expenditure. The movement of crude oil prices is shown below:

		Average price	
	31 December 2011	30 April 2011	2010
Per barrel – US$	101.76	80.32	61.08
Per barrel – £	63.54	51.15	39.65

Gold Oil's results are strongly influenced by oil prices which are dependent on a number of factors impacting world supply and demand. Due to these factors, oil prices may be subject to significant fluctuations from year to year. The Group's normal policy is to sell its products under contract at prices determined by reference to prevailing market prices on international petroleum exchanges.

Capital risk

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Market risk

The market may not grow as rapidly as anticipated. The Group may lose customers to its competitors. The Group's major competitors may have significantly greater financial resources than those available to the group. There is no certainty that the group will be able to achieve its projected levels of sales or profitability.

22 Capital commitments

As of 31 December 2011, the Group had a commitment to contribute to the costs of drilling the La Vege Este well in the Azar licence area, the costs of this well are estimated to be between $1m and $1.25m.

23 Contingent liabilities

The Group has given guarantees of $2,160,000 (30 April 2011 – $2,160,000) to Peru Petro SA to fulfil licence commitments for Block XXI and Z34. The Company has made provision in respect of decommissioning costs of producing fields and does not consider that there are any further contingent liabilities in this regard.

24 Events after the reporting period

The directors' are not aware of any events after the reporting period that require disclosure in the annual report.

25 Ultimate controlling party

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.

15 Notes to the Financial Statements

for the period ended 31 December 2011

26 Related party transactions

Company

During the year, the Company advanced loans to its subsidiaries. The details of the transactions and the amount owed by the subsidiaries at the year end were:

	Eight month period ended 31 December 2011		Year ended 30 April 2011	
	Balance £'000	Loan advance/ repayment less impairment £'000	Balance £'000	Loan advance £'000
Gold Oil Peru S.A.C*	1,285	(4,101)	5,387	368
Ayoopco Limited*	–	(110)	110	–

*The company has provided for an impairment of £1,928,000 (30 April 2011 – £4,422,000) on the outstanding loans

Group and Company

During the period the Company has been provided with services by Australian Drilling Associates Pty Ltd (ADA) and Sheer Energy Pty Ltd (Sheer). Such transactions are carried out on an arm's length basis. The companies are owned and controlled by John Bell who is also Chairman of Gold Oil Plc.

The total amount of services provided by these companies in the period ended 31 December 2011 was £530,893 (30 April 2011 – £1,236,281). The balance owing at the end of the year was £72,425 (30 April 2011 – £236,281)

The services provided consisted of the following main categories of expenditure; Geotechnical services, travel and charges for office accommodation and support.

	Capital expenditure £	Overheads £	Total £
Geotechnical support services (All blocks)	140,616	–	140,616
Legal fees	–	2,713	2,713
Data room costs and other support services (Block Z34 and XX1)	2,766	–	2,766
Technical assistance	–	5,250	5,250
Travel costs	–	196,550	196,550
Overhead and admin costs incurred on behalf of Gold	–	182,998	182,998
Total	143,382	387,511	530,893

During the period the Company has been provided with services by Terra Firma Technology Pty Ltd (TFT). Such transactions are carried out on an arm's length basis. The company is owned and controlled by Ian Reid who is also a Director of Gold Oil Plc.

The total amount of services provided by this company in the period ended 31 December 2011 was £75,276 (30 April 2011 – £33,939). The balance owing at the end of the year was £24,643 (30 April 2011 – Nil)

The services provided consisted of Geotechnical services.