GOLD OIL PLC

Annual Report 2005

CONTENTS

1. Corporate Statement

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

The Company aims to establish significant licence positions concentrated in a few areas, and to add value at a reasonable risk using the latest geophysical, drilling and completion technologies where we can demonstrate that economic oil and natural gas production operations can be established, and where it has a competitive advantage. This it has done so in northwestern Perú, where acreage has been acquired both onshore and offshore. The Company has an experienced and highly competent management and technical team.

2. HSE Statement

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

3. Highlights

- A very significant entry position established in Perú
- Recent aeromagnetic survey over Block XI shows a significant basin with several prospective drillable areas
- Keen interest in the Company's offshore acreage following a recent well by PetroTech in a neighbouring block that discovered oil in a reservoir previously considered non-productive
- An agreement with MAN Ferrostaal of Germany for a major petrochemical development in Perú
- Strong cash position and very tight expenditure control

4. Chairman's Statement

Gold Oil is a very young company that floated on AIM on 14 July 2004. However, due to the hard work, imagination and good relationships developed by our staff in Perú the Company now has two very attractive blocks in Perú. Oil discoveries can be easily monetised through existing facilities in N W Peru but so can gas discoveries through agreements with local power companies and MAN Ferrostaal of Germany. These put the Company in the enviable position of having profitable development activity whether oil or gas is discovered.

The Company, on 19 October 2005, acquired Northern Petroleum Exploration Ltd., a subsidiary of Northern Petroleum PLC, which has equity in and operates the Ayoluengo field in northern Spain that produces about 110 barrels of oil per day and subsequently sold, on 20 October 2005, half of its interest to Ascent Resources plc. This acquisition will provide cash flow to the Company. More importantly it has allowed the Company to start the process of having it recognised by the Perúvian authorities as Gold Oil's operator. This will allow Gold Oil to convert its Promotion Permits into Exploration Licences during 2006, so as to allow drilling on the prospective onshore permit, Block XI, and seismic acquisition over the offshore permit, Block Z34. On the latter the Company is seeking to farm-out to a large oil company who would drill a well offshore at no cost to the Company.

The Company raised £3.6 million in March 2005 through a placement. Although at the end of the year the Company showed a loss of £374,000, the cash balance was £3,3671,000, reflecting the hard work by the Company's staff to work efficiently and control costs.

Looking ahead I expect to see the Company soon being in a position to start seismic and drilling activity on our blocks in Perú. The Company is continuing to seek out low risk oil and gas reserves in Perú that will generate cash flow sooner than through our own efforts on our own acreage.

Due to the energy and dedication of our team, the Company has made very good progress in its first year of life, and next year we expect to see the fruits of this effort.

I look forward to meeting you all at our forthcoming extraordinary general meeting in which our accounts will be laid before the Company as they were not available to be received at the Annual General Meeting convened on 7 October 2005.

Michael Burchell
Chairman

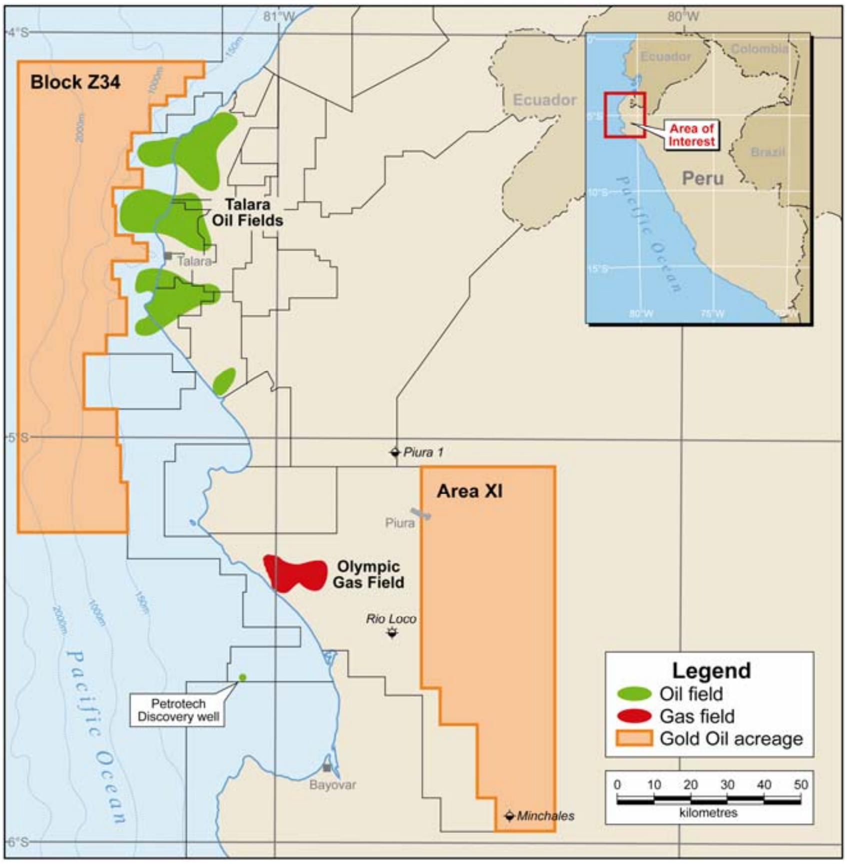
26 October 2005

5. Review of Operations: PERÚ

When the Company's executives first began to look at the opportunities in Perú in March 2004, the price of West Texas Intermediate (WTI) was at $30/bbl, and when the Company was first floated on 14 July 2004 it was at a time when oil prices were at $35/bbl. The rise in oil and gas prices and the terms on offer had encouraged new competitive entries into Perú, but despite this the company was able to acquire interests in the areas it had already identified as having high potential.

The company was awarded its first Promotion Agreement by PerúPetro in October 2004 over Block XI, onshore Northern Perú in the Sechura Basin. Block XI covers 303,000 hectares, equivalent to an area of just less than 14 North Sea blocks. Under the terms of the Promotion Agreement Gold Oil has the exclusive right to carry out geological and geophysical studies in the search for hydrocarbons on the block for a period of two years, expiring on 15 October 2006. At anytime before the expiration of the Promotion Agreement, Gold Oil may apply to PerúPetro to contract the Block under a standard Exploration and Exploitation Licence.

Against stiff competition from other operators in the area, Gold Oil was able, on 9 February 2005, to win a Promotion Agreement for Block Z34. This area is located offshore northern Perú in the Talara Basin and with an area of 371,339 hectares is equivalent to just less than 17 North Sea blocks. Under the terms of the Promotion Agreement with PerúPetro, Gold Oil has the exclusive rights to carry out geological and geophysical studies in the search for hydrocarbons on the block for a period of fifteen months expiring on 9 May 2006, Gold Oil has the exclusive right to carry out geological and geophysical studies in the search for hydrocarbons on the block. At any time before the expiry of the Promotion Agreement Gold Oil may apply to PerúPetro for the Block to be contracted under the standard terms of an Exploration and Production Licence.



Gold Oil Blocks in Perú

Licence Interests in Peru

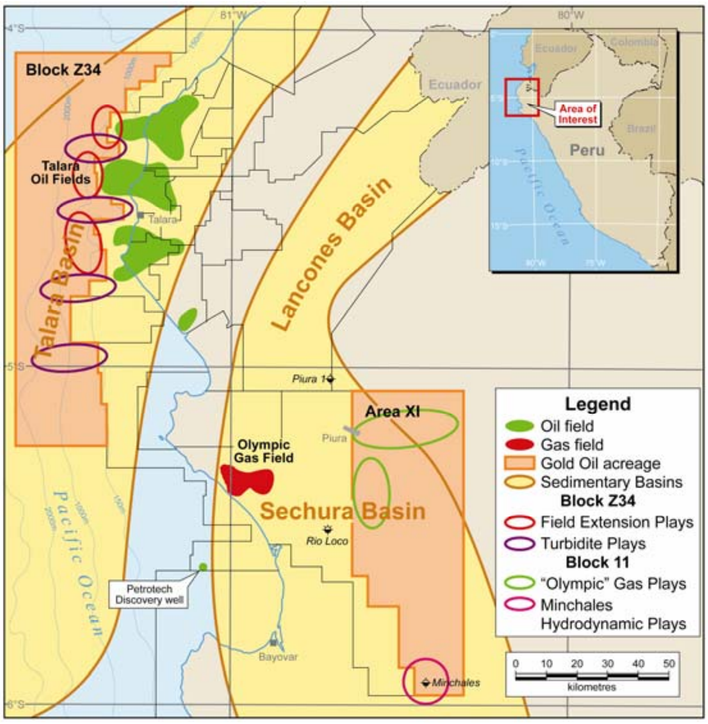
Block Name	*Licence*	*Expiry Date*	*Size (ha)*	*Interest*	*Operator*
Block XI	Promotion Agreement	Expires 15 October 2006	303,000	100%	Gold Oil Plc
Block Z34	Promotion Agreement	Expires 9 May 2006	371,339	100%	Gold Oil Plc

6. Prospectivity of Blocks XI and Z34

6.1 *Block XI*

Block XI is located between 24-60 Km from the Pacific Ocean coast and mostly to the east and south of the city of Piura in the Department of Piura, northern Perú. It covers much of the extent of the Sechura Basin onshore. Despite its proximity to extensive oil and gas reserves in the Talara Basin, there has been no significant exploration work in the last fifty years.

The Environmental Standards in Perú are both comprehensive and demanding, as they are designed to protect virgin equatorial forest. Unfortunately the standards apply equally to all areas of Perú, including the uninhabited desert over most of Block XI. On 17 November 2004 Gold Oil commenced the environmental impact assessment for Block XI. This study was completed at a cost of $39,000 on 3 February 2005 and approved by the Ministry on 1 August 2005 thereby causing a delay to the start of our geological and geophysical work programme.



Prospects on Gold Oil Blocks

An aeromagnetic survey of 5,200 km began over Block XI and the surrounding borders on 30 April 2005 at a cost of $161,000. After processing, this survey has highlighted several prospective sectors within the area for further evaluation.

Several old wells dating back to the 1950s, within and near the block, together with other technical data, have also been evaluated to date. Within Block XI two exploration play types of moderate-high risk have so far been identified:

Play 1: Shallow (3-5,000 ft) light oil and/or gas play, in stacked sandstones that are analogous to the Olympic structures and we envisage 5 fields of 150 Bcf, with good recovery factors giving **750 Bcf of ultimate recovery**.

Play 2: The Minchales structure: by-passed pay, and/or hydro-dynamically displaced. With some 200 sq kms under closure at 5-8,000 ft this, with reasonable assumptions, gives some 1 billion BOE in place. A recovery factor of 40% gives an ultimate recovery of **400 MMboe**.

Play 3: Palaeozoic Reservoirs (Deep to 8,000 ft). Light crude oil (35º API) similar to the San Pedro field recently discovered by Petrotech in the neighbouring offshore and at the present time producing at 2,500 bopd from 3 wells. By analogy we estimate 5 prospects with 20 MMbbl each giving an ultimate recovery of **100 MMbbl**.

Total unrisked reserves Block XI: 500 MMboe & 750 Bcf.

The Company will shortly decide whether to shoot 2D seismic profiles over those prospective parts of the Block so as to define structures prior to commencing a drilling programme.

6.2 *Block Z34*

This area is bordered by the BPZ gas fields to the north, PetroTech's offshore oil producing fields to the East, PetroTech's recent oil discovery well to the south and deepwater Pacific Ocean to the west. No wells have been drilled on it and although a large quantity of 2D and 3D seismic has been shot over the blocks to the east, with some overlapping Block Z34, by virtue of its quality it is of limited use.

The deepest offshore water depth that oil production has been achievable in the area is 400 ft, a limit inherited from the era when the offshore fields were developed in the 1960's when 400 ft was indeed the economic limit at that time.

Two exploration-appraisal play types, of moderate risk, have been identified:

Play 1: At moderate depths (ca. 5,000 ft) extensions of the main Talara oil fields into deeper waters, greater than 400 ft, with light oil in stacked sandstones. Three such extensions are likely, each with 10 MMbbl in place, and with moderate recovery factors of, say, 35%, gives a total ultimate recovery of **31.5 MMbbl**.

Play 2: The novel "graben-turbidite" play, between and extending from the main Talara oil fields, with light oil in stacked sandstones. Three traps are envisaged in this play, each of 25 MMbbl in place, and with moderate recovery factors of, say, 35%, gives a total ultimate recovery of **26 MMbbl**.

Play 3: Deep-water turbidite potential. The Company has no seismic data to be able to identify if such plays are present, or with what potential, though from analogues elsewhere they are certainly possible and with sub-giant to giant potential. If they are present then, based on turbidites in other parts of the world, it is reasonable to assume a billion bbl in place which with a 25% recovery factor gives unrisked reserves of **250 MMbbl**.

Total unrisked reserves Block Z34: 307.5 MMBOE.

Studies are underway to evaluate the potential of the offshore area for high productivity wells (relative to the onshore production levels) to be drilled. The most likely future work programme is for one or two seismic lines to be acquired, although we are seeking to farm-out the Block to a larger player, so that one or two exploration/appraisal wells may be drilled at no cost to the Company. Notwithstanding, it is unlikely that any well will be drilled until 2006, at the earliest, due to the requirement for an environmental permit, the current high costs of drilling rigs and the mobilisation costs incurred in bringing a rig to the area.

6.3 *MAN Ferrostaal*

One of the main reasons the Company was attracted to northern Perú is the potential for finding low cost natural gas that can be readily monetised. On 18 October 2004 the Company entered into a Memorandum of Understanding (MOU) with a German company named MAN Ferrostaal, a leading petrochemical construction company. MAN Ferrostaal has been in Perú for over forty years and has constructed (or is in the process of constructing) over five ammonia and/or methanol plants outside Germany.

The MOU calls for the Company to find at least 500 Bcf of proven natural gas reserves whereupon MAN Ferrostaal will build a 1,850 tonnes a day ammonia plant. The gas price is linked to international ammonia prices to ensure the overall profitability of the upstream and downstream aspects of the project, and the Company has an option to take a 35% participation in the petrochemical plant.

On 4 October 2005 the MOU was extended for a further year by mutual agreement with MAN Ferrostaal.

6.4 *Farm-ins and acquisitions*

The Company has been reviewing various opportunities to farm into other blocks in Perú as well as the possible acquisitions of strategic oil and gas reserves. However, with the rise in crude oil prices from around $30/bbl to the $60-$70/bbl range, the difficulties in closing such deals has magnified significantly.

6.5 ***Open acreage***

The Company has identified several interesting open acreage opportunities in several Central and South America countries, but has experienced difficulties in qualifying as an operator with the government authorities. The main reason for this is that the Company is new and does not have a track record, nor the requisite two-three years of published accounts. The fact that the Company has an Executive with over 100 years of accumulated experience in the oil and gas sector, as well as the financial capability to carry out the obligations under the licences, has less impact than one would wish. However, the Company expects that its Spanish acquisition will qualify the Company as an operator and will improve its chances of acquiring further acreage, if commitments are reasonable.

7. Directors

Michael Norman Burchell *Chairman*

Mike Burchell (age 65) has over 43 years' experience in the oil and gas industry since graduating with honours from Leeds University. During his career he has had extensive international experience at PLC main board level of oil and gas field development, oil and gas sales, PSAs and transportation agreements and acquisitions and finance. Mr. Burchell is now a director of CBM Oil plc and is the Consultant Adviser to the Ministry of Oil in Bahrain and Bapco, Bahrain's state oil company.

John Gary Moore *Managing Director*

Gary Moore (age 55) has 34 years' experience in the oil and gas industry as a petroleum engineer since graduating from Leeds University. In 1985 he joined Texaco as a negotiator and then Commercial Manager before leaving in 1990 to establish his own consulting company. In 1999, he founded Sunningdale Oils (Ireland) Limited which has gas production in Ireland and Perú. He was a non-executive director of Northern Petroleum PLC until he resigned in 2003. He has been working a large part of his time in Perú since he first went there with Shell as a consultant in 1996.

Patrick Gerald Mahony *Non-Executive Finance Director*

Pat Mahony (age 53) has 28 years' experience in the oil and gas industry since he qualified as a Chartered Accountant in 1977 with Stokes Kennedy Crowley (now KPMG) in Dublin and then joined Bula Limited as Financial Accountant. In 1981, he joined Bula Resources PLC and became Company Secretary in 1986. In 1987 he was appointed to the Board of Bula as Finance Director and in April 1997 was appointed Managing Director of Bula until his resignation in March 1999. Mr. Mahony was also a director of Ovoca Resources PLC during the period 1990 to 1997, and is currently a Financial Consultant based in Dublin.

Dr. Martin L Keeley *Exploration Director*

Martin Keeley (age 50) has 27 years' experience in the oil and gas industry. He has a degree in Geology from Bristol University and a doctorate in Geology from Trinity College, Dublin. He has worked for Fieldco, Intera, Emerald Energy, Charterhouse Petroleum, Shell International and BP Exploration amongst others, mostly in North Africa and South America. He has published learned articles in peer-reviewed journals, is on the editorial board of the Journal of Petroleum Geology and is a Visiting Professor in Petroleum Geology, University College, London. Martin is based in Bogotá.

On the 18 October 2004, for personal reasons, Billy Gilbert Underwood Jr. resigned as Managing Director.

8. Advisers

Registered Office	Finsgate 5-7 Cranwood Street London EC1V 9EE
Company Secretary	Patrick Gerald Mahony 103 Rathfarnham Wood Dublin 14 Ireland
Auditors	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
Solicitors	Kerman & Co LLP 7 Savoy Court Strand London WC2R 0ER
Nominated Adviser	Beaumont Cornish Limited 10-12 Copthall Avenue London EC2R 7DE
Broker	Daniel Stewart & Company Plc Becketts House 36 Old Jewry London EC2R 8DD
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

9. Directors' Report

The directors present their annual report and the audited financial statements for the period from incorporation on 8 April 2004 to 30 April 2005.

9.1 *Principal activities*

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

9.2 *Business review*

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

9.3 *Proposed dividend*

The directors do not recommend the payment of a dividend.

9.4 *Directors and director's interests*

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

M N Burchell (appointed 24 June 2004)
Dr M L Keeley (appointed 1 March 2005)
P G Mahony (appointed 24 June 2004)
J G Moore (appointed 4 May 2005)
B G Underwood Jr. (appointed 4 May 2004, resigned 31 October 2004)

Details of Directors interests in shares are given in note 17 to the accounts.

9.5 ***Political and charitable contributions***

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

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

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

9.7 ***Activities and results***

A loss of £374,000 was recorded for the period. Net assets of the company at 30 April 2005 amounted to £3,580,000. No dividends or transfers to reserves are proposed.

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

The share price movement since listing on the Alternative Investment Market (AIM) operated by the London Stock Exchange on 14 July 2004 has ranged from a low of 3.37p to a high of 8.25p. The share price at the end of 2004 was 4.62p.

9.8 ***Directors' interests***

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

	5 September 2005		*30 April 2005*	
	Ordinary Shares	*Ordinary Warrants*	*Ordinary Shares*	*Ordinary Warrants*
M. Burchell	5,000,000	2,300,000	3,000,000	2,300,000
G. Moore	20,000,000	9,200,000	20,000,000	9,200,000
P. Mahony	—	2,300,000	—	2,300,000

Each Warrant grants the holder the right to subscribe for one Ordinary Share at £0.01 per share, such right to be exercisable at any time prior to 14 July 2007. The Warrants issued to directors may only be exercised with effect from 18 February 2006, and may only be exercised in tranches of 25% every six months.

All the above shareholdings are beneficially held.

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

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

In accordance with the Articles of Association of the company, Mr. Moore, Mr Burchell, Mr Mahony & Dr Keeley retired by rotation and, being eligible, were re-elected at the Company's AGM held on 7 October 2005.

9.9 ***Remuneration policy***

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

9.10 ***Basic salaries***

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

	Year ended 31 December 2004 (£)	*Year ended 30th April 2005 (£)*

Executive Directors:		
Gary Moore	5,483.87	37,483.87
Billy G. Underwood Jr. (Resigned 31 October 2004)	5,483.87	5,483.87
Michael Norman Burchell (Took up role on 1 November 2004)	2,000.00	10,666.70
Martin Keeley (Appointed 1 March 2005)	0.00	13,333.33
Non-Executive Directors:		
Michael Burchell (2004)	548.38	548.38
Patrick Mahoney	548.38	1,148.38

9.11 ***Significant shareholdings***

The company has been informed that, as of 18 October 2005, the following shareholders own 3% or more of the issued share capital of the company:

Name	*Shares*	*% of Company*
Pershing Keen Nominees Ltd.	62,655,000	17.95%
Mark Pritchard	42,750,000	12.25%
Ben Anderson	22,500,000	6.45%
Billy G Underwood Jr.	21,587,444	6.18%
John Gary Moore	20,000,000	5.73%
Stock Lending Collateral (Equity) Nominees Ltd.	16,550,000	4.74%
Rock (Nominees) Ltd.	10,590,000	3.03%
Total	196,632,444	56.33%

10. Corporate Governance Statement

10.1 ***The Board***

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

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

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

10.2 ***The Audit Committee***

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

10.3 ***The Remuneration Committee***

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

10.4 ***Communications***

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

10.5 ***Internal control***

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

10.6 ***Going concern***

With the funds raised in 2004 and the Placing in 2005, the Company's medium term investment plans in Perú show, in the directors' opinion, that there is a reasonable expectation that the resources available to the Company will allow it to continue operations. Thus, the going concern for the preparation and reporting of accounts has been adopted.

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

Corporate governance

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

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to select suitable accounting policies and then apply them consistently:

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

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

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution reappointing Jeffreys Henry LLP as auditors was accepted at the Annual General Meeting held on 7 October 2005.

By order of the board

P. G. Mahony
Company Secretary

26 October 2005

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

We have audited the financial statements for the period ended 31 January 2005 which comprises of the profit and loss account, balance sheet and notes 1 to 20. These financial statements have been prepared under historical cost convention and the accounting policy set out therein.

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

12.1 *Respective responsibilities of directors and auditor*

The directors are responsible for preparing the directors' report and, as described on the directors' report, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities are to audit the financial statements in accordance with the relevant legal and regulatory requirement and United Kingdom Auditing Standards.

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

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

12.2 *Basis of audit opinion*

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

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

12.3 *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 April 2005 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Jeffreys Henry LLP
Chartered Accountants
Registered Auditor

Finsgate
5-7 Cranwood Street
London EC1V 9EE

26 October 2005

13. Consolidated Profit and Loss Account for the period 8 April 2004 to 30 April 2005

	Note	*2005* *£000*
Turnover		—
Administration expenses		(383)
Operating loss		(383)
Other interest receivable and similar income	*5*	9
Loss on ordinary activities before taxation	*2-4*	(374)
Taxation credit on loss on ordinary activities	*6*	—
Loss for the year for group		(374)
Loss: Earnings per ordinary share	*7*	
— Basic		(0.18p)
— Diluted		(0.15p)

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

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

14. Consolidated Balance Sheet as at 30 April 2005

		2005	
	Note	*£000*	*£000*
Fixed assets			
Tangible assets	*8*		25
Current assets			
Debtors	*10*	39	
Cash at bank and in hand		3,632	
		3,671	
Creditors: amounts falling due within one year	*11*	(116)	
Net current assets			3,555
Total assets less current liabilities			3,580
Capital and reserves			
Called up share capital	*12*		86
Share premium account	*13*		3,868
Profit and loss account	*13*		(374)
Equity shareholders' funds			3,580

These financial statements were approved by the Board of Directors on 26 October 2005 and were signed on its behalf by:

Director: M N Burchell

Director: J G Moore

15. Company Balance Sheet as at 31 December 2004

	Note	*2005* *£000*	*£000*
Fixed assets			
Tangible Fixed Assets	8		2
Investment in Gold Oil Peru	9		150
			152
Current assets			
Debtors		10	32
Cash at bank and in hand		3,606	
		3,638	
Creditors: amounts falling due within one year	11	(113)	
Net current assets			3,525
Total assets less current liabilities			3,677
Capital and reserves			
Called up share capital	12		86
Share premium account	13		3,868
Profit and loss account	13		(277)
Equity Shareholders' Funds			3,677

These financial statements were approved by the Board of Directors on 26 October 2005 and were signed on its behalf by:

Director: M N Burchell

Director: J G Moore

16. Consolidated Cash Flow Statement for the period 8th April 2004 to 30th April 2005

	Note	*2005* *£000*
Cash flow statement		
Cash outflow from operating activities	15	(306)
Returns on investments and servicing of finance	16	9
Capital expenditure	16	(25)
Cash outflow before management of liquid resources and financing		(322)
Management of liquid resources	16	(1,800)
Financing	16	3,954
Increase in cash in the year		1,832
Reconciliation of net cash flow to movement in net funds		
Cash at bank and in hand		3,632
Less deposits treated as liquid resources		(1,800)
		1,832

17. Reconciliation of Movements in Shareholders' Funds for the period ended 30 April 2005

	2005
	£000
Loss for the financial year	(374)
Increase in share capital	3,954
Closing shareholders' funds	3,580

18. Notes (forming part of the financial statements)

1. Accounting policies

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

Basis of accounting

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings up to 30 April 2005.

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

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

Tangible fixed assets and depreciation

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

Motor vehicle — 5 years

Office Equipment — 4–10 years

Taxation

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

Foreign exchange

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

Cash and liquid resources

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

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

Oil and natural gas accounting

Accounting for oil and gas exploration activity is subject to special accounting rules that are unique to the oil and gas industry. In the UK, these are contained in the Statement of Recommended Practice (SORP) "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities".

The Company adopts the successful efforts method of accounting as described in the SORP for its oil and natural gas exploration and production activities.

2. *Pre-production costs*

Pre production costs incurred in Peru and which have been expensed in the period were £94,000.

3. *Loss on ordinary activities before taxation*

	2005
	£000
Loss on ordinary activities before taxation is stated after charging	
Auditors' remuneration:	
Group — audit	8
Company — audit	6
Group — non audit services	10

4. *Staff number and costs*

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

	2005
Technical and administration	6

The aggregate payroll costs of these persons were as follows:

	2005
	£000
Wages and salaries	26
Social security costs	3
	29

5. *Interest receivable and similar income*

	2005
	£000
Bank interest	9

6. *Taxation*

Analysis of charge in period:

	2005
	£000
UK and overseas corporation tax	
Current tax on income for the period	—
Total current tax	—
Tax on loss on ordinary activities	—

Factors affecting the tax charge for the current period.

The current tax charge for the period is higher than the standard rate of corporation tax in the UK 30%. The differences are explained below:

	2005
	£000
Current tax reconciliation	
Loss on ordinary activities before tax	(374)
Current tax at 30%	(112)
Effects of:	
Expenses not deductible for tax purposes	—
Increase in tax losses	112
Total current tax charge (see above)	—

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

7. *Loss per share*

	2005
	Pence
Loss per ordinary share	
— Basic	(0.18)
— Diluted	(0.15)

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

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

	2005
	Number
Weighted average ordinary shares in issue during the year	212,791,361
Potentially dilutive warrants issued	39,305,624
Weighted average ordinary shares for diluted earning per share	252,096,985

8. *Tangible fixed assets*

	Equipment and Machinery	*Vehicle*	*Total*
	£'000	*£000*	*£000*
Group			
Cost			
Additions	6	19	25
At end of year	6	19	25
Depreciation	—	—	—
At end of year	—	—	—
Net book value			
At 30 April 2005	6	19	25
Company			
Cost			
Additions	2	—	2
At end of year	2	—	2
Depreciation	—	—	—
At end of year	—	—	—

9. *Fixed asset investments*

	Shares in group undertaking
Company	
Cost	
Additions	150
At end of year	150

The Company's subsidiary undertakings at the year end was a 100% interest in the ordinary shares of Gold Oil Peru, a company registered in Peru whose principal activity is exploration of oil and gas.

10. *Debtors*

	2005	
	Group £000	*Company £000*
Trade debtors	14	—
Other debtors	5	5
Amounts owed by subsidiary undertakings	—	12
Prepayments and accrued income	20	15
	39	32

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

	2005	
	Group £000	*Company £000*
Trade creditors	91	89
Other creditors	4	3
Accruals and deferred income	21	21
	116	113

12. *Called up share capital*

	2005 £000
Authorised	
400,000,000 ordinary shares of £0.00025 each	100
Allotted, called up and fully paid	
Equity: 345,200,000 ordinary shares of £0.00025 each	86

At incorporation the company had an authorised share capital of £1,000,000 divided into 100,000,000 ordinary shares of 1p each. On 12 May 2004, the authorised share capital was reduced to £100,000 by the cancellation of 90,000,000 unissued ordinary shares of 1p each and the remaining 10,000,000 ordinary shares of 1p each were sub-divided into 400,000,000 ordinary shares of 0.025p.

On 8 June 2004, 199,999,920 ordinary shares were issued at par.

On 8 June 2004 warrants to subscribe for 42,000,000 ordinary shares were issued.

Under the Placing Agreement, 35,000,000 shares of 0.025p and warrants on a further 35,000,000 shares were issued at 1p per share on 18 June 2004.

On 28 June 2004, 1,000,000 shares of 0.025p were issued at 1p per share.

From October 2004 to January 2005 19,200,000 shares of 0.025p were issued at 1p per share on the exercise of warrants.

On 21 March 2005, 90,000,000 shares of 0.025p were issued at 4p per share.

Subsequent to the year end 3,850,000 ordinary shares of 0.025p on the exercise of warrants.

The Warrants above entitles the holder to subscribe for one ordinary share of 1p per share for a period of three years from issue except for directors warrants which are not exercisable for one year period from admission.

13. Share premium, and reserves

	Share premium account £000	*Profit and loss account £000*
Group		
Loss for the period	—	(374)
Premium on share issues	4,116	—
Placement and share issue costs	(248)	—
At end of year	3,868	(374)

	Share premium account £000	*Profit and loss account £000*
Company		
Loss for the period	—	(277)
Premium on share issues	4,116	—
Placement cost	(248)	—
At end of year	3,868	(277)

14. Commitments

The group and company had no capital commitments at the end of the year.

15. Reconciliation of operating loss to operating cash flows

	2005 £000
Operating loss	(383)
(Increase) in debtors	(39)
Increase in creditors	116
Net cash outflow from operating activities	(306)

16. Analysis of cash flows

	2005 £000
Returns on investment and servicing of finance	
Interest received	9
Capital expenditure and financial investment	
Purchase of tangible fixed assets	25
Management of liquid resources	
Increase in short term bank deposits	1,800
Financing	
Issue of ordinary share capital	3,954

17. Directors' emoluments and interests

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

	Interest at end of period	*Interest at start of period*
Executive directors		
M N Burchell	3,000,000	—
M L Keeley	—	—
P G Mahony	—	—
J G Moore	20,000,000	—
B Underwood Jr.	77,000,000	—

Directors emoluments and other benefits are as listed below.

	2005 *£000*
Directors' remuneration	14
Directors' fees	38
	52

Warrants held by the directors are as follows:

	No. of Warrants
M N Burchell	2,300,000
B G Underwood Jr.	9,200,000
J G Moore	9,200,000
P G. Mahony	2,300,000
Total Warrants held by the directors	23,000,000

18. Financial instruments

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

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

Short-term debtors and creditors

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

Foreign currency risk

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

19. Related party disclosures

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

20. Post balance sheet events

The company purchased on onshore production company based in northern Spain. The consideration for the purchase of Northern Petroleum Exploration Limited was £300,000. Half of the interest in Northern Petroleum Exploration Limited was then sold to Ascent Resources plc for £150,000.

APPENDIX 1: NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at Finsgate, 5-7 Cranwood Street, London, EC1V 9EE on 21 November 2005 at 11.00 a.m. for the following purposes:

1 To receive the Company's annual accounts for the financial period ended 30 April 2005 together with the Reports thereon of the Directors and the Auditors of the Company ("Accounts").

2 To re-appoint Jeffreys Henry LLP as Auditors of the Company until the conclusion of the next General Meeting of the Company at which Accounts are laid before the Members and to authorise the Directors to determine the remuneration of the Auditors.

3 To transact any other ordinary business of the Company.

By Order of the Board

P G Mahony
Company Secretary

26 October 2005

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

Notes:

1 Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) of his own choice to attend and, on a poll, to vote in his place.

2 Forms of Proxy together with any Power of Attorney or other authority under which it is excepted or a notarially certified copy thereof, must be completed and to be valid, must reach the Registrars of the Company at Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR not less than forty eight (48) hours before the time appointed for the holding of the meeting.

3 The appointment of a proxy does not preclude a member from attending and voting at the meeting.

4 If the appointer is a corporation, this form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised.

5 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote of the other registered holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

6 If you wish to appoint as proxy someone other than the Chairman of the Meeting, please delete the words "the Chairman of the Meeting" and insert the name and address of the person you wish to appoint in the space provided. A proxy need not be a member.

7 Only those shareholders on the register of members at 11.00 a.m. on 19 November 2005 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than forty eight (48) hours, then to be so entitled, shareholders must be entered on the Company's register of members at the time which is forty eighty (48) hours before the time appointed for holding the adjourned meeting, or if the Company gives notice of the adjourned meeting, at the time specified in that notice.

APPENDIX 2: FORM OF PROXY

Gold Oil Plc

FORM OF PROXY

I/We (Block Letters) ....

of ....

being a member/members of the above-named Company hereby appoint the Chairman of the Meeting or *

of ....

as my/our proxy to vote for me/us on my/our behalf at an Extraordinary General Meeting of the Company to be held at Finsgate, 5-7 Cranwood Street, London EC1V 9EE on 21 November 2005 at 11.00 a.m. and at any adjournment thereof. I/We direct that my/our vote(s) be cast on the Resolutions as indicated by an X in the appropriate box.

ORDINARY RESOLUTION	**For**	**Against**	**Withheld**
To approve Accounts	☐	☐	☐
To re-appoint Jeffrey Henry LLP as Auditors and to authorise the Directors to determine the remuneration of the Auditors	☐	☐	☐

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

DATED THIS .... day of 2005

SIGNATURE ....

Notes:

1. Any member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) of his own choice to attend and, on a poll, to vote in his place.
2. Forms of Proxy together with any Power of Attorney or other authority under which it is excepted or a notarially certified copy thereof, must be completed and to be valid, must reach the Register of the Company at Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR not less than forty eight (48) hours before the time appointed for the holding of the meeting.
3. The appointment of a proxy does not preclude a member from attending and voting at the meeting.
4. If the appointer is a corporation, this form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
5. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote of the other registered holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
6. If you wish to appoint as proxy someone other than the Chairman of the Meeting, please delete the words “the Chairman of the Meeting” and insert the name and address of the person you wish to appoint in the space provided. A proxy need not be a member.
7. Only those shareholders on the register of members at 11.00 a.m. on 19 November 2005 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than forty eight (48) hours, then to be so entitled, shareholders must be entered on the Company’s register of members at the time which is forty eighty (48) hours before the time appointed for holding the adjourned meeting, or if the Company gives notice of the adjourned meeting, at the time specified in that notice.