
Great Artesian Oil and Gas Limited

ABN 44 078 607 682

Annual Financial Report
for the year ended 30 June 2005

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GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Corporate directory

Directors

Norman Joseph Zillman
Raymond Douglas Shaw
Michael Patrick Callahan

Secretary

John Cooke

Solicitors

Blakiston & Crabb
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WEST PERTH WA 6005

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Share Registry

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Services Pty Limited
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PERTH WA 6000
Telephone 08 9323 2000

Great Artesian Oil and Gas Limited is a public
company incorporated in Australia.

Corporate governance statement

The Board of Directors (“the Board”) of Great Artesian Oil and Gas Limited (“the company”) is responsible for the corporate governance of the company. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The best practice recommendations of both the ASX Corporate Governance Council, including corporate governance practices and suggested disclosures are set out below and have been applied for the entire financial year ended 30 June 2005. Where there has been any variation from the recommendations it is because the Board believes that the company is not as yet of a size, nor are its financial affairs of such complexity to justify some of those recommendations and as such those practices continue to be the subject of the scrutiny of the full Board.

Board composition:

The Board is comprised of three directors, of which the Managing Director is the only Executive Director.

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report, their attendances at meetings and their term of office are detailed in the directors’ report. Due to the size of the company, the majority of the Board are not independent directors. This situation will be monitored and changed in line with best practice as and when the directors feel the company is of sufficient size. The names of the directors of the company in office at the date of this statement are:

Name	Position	Committees
Mr. N.J. Zillman	Non Executive Chairman	None
Dr. R.D. Shaw	Managing Director	None
Mr. M.P. Callahan	Non Executive Director	None

When determining whether a director is independent, the Board has determined that the director must not be an executive and:

- is not a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- within the last three last years has not been employed in an executive capacity by the company or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the company or an employee materially associated with the service provided;
- is not a material supplier or customer of the company or an officer of or otherwise associated directly or indirectly with a significant supplier or customer;
- has no material contractual relationship with the company other than as a director of the company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the company.

Independent directors have the right to seek independent professional advice in the furtherance of their duties as directors, at the company’s expense.

Corporate governance statement

The board and board nominations:

The company does not presently operate a nomination committee. As such, the full Board (subject to members voting rights in general meeting) is responsible for selection of new members and has regard to a candidates experience and competence.

Under the company's Constitution:

- the maximum number of directors on the Board is ten;
- a director (other than the Managing Director) may not retain office for more than three years without submitting for re-election; and
- at the Annual General Meeting each year effectively one third of the directors in office (other than the Managing Director) retire by rotation and must seek re-election by shareholders.

Securities trading policy:

The company has not as yet adopted a formal securities trading policy however the directors and employees are restricted from acting on material information until it has been released to the market in accordance with the ASX requirements of continuous disclosure.

Directors' remuneration and policies:

The company does not presently operate a remuneration committee and the remuneration of all directors is determined by the members of the Board.

All compensation arrangements for directors including the Managing Director are determined by the directors after taking into account the current competitive rates prevailing in the market.

The amount of remuneration for all directors including the full remuneration packages, comprising all monetary and non-monetary components of the Executive and Non Executive Directors, are detailed in the directors' report.

Executives will receive base salary, superannuation, fringe benefits and in some cases, performance incentives. Executives and staff may be invited by the Board, to participate in the Employee Share Option Plan. These packages are reviewed on an ongoing basis. .

All remuneration to be paid to present or future executives will be valued at the cost to the company and expensed. Shares issued to executives are valued as the difference between the market price of those shares and the amount paid by the executive. Options are valued using the Black-Scholes or the Binomial methodology.

In accordance with the terms and conditions of the grant of the options which are exercisable in tranches of 2,000,000 options per annum prior to 5 August 2006, 5 August 2007 and 5 August 2008 at 20cents, 30cents and 40cents per option respectively, there are no other restrictions upon the option holders exercising the options.

The Board expects that the remuneration structure that is implemented will result in the company being able to attract and retain the best executives to manage the economic entity. It will also provide the executives with the necessary incentives to work to grow long-term shareholder value.

The Board can exercise its discretion in relation to approving incentives, bonuses and options. There are no schemes for retirement benefits other than statutory superannuation for independent directors.

Corporate governance statement

External auditors:

The auditors of the company, Deloitte Touche Tohmatsu (“Deloitte”), have open access to the Board at all times. Deloitte have audited the company for a number of years and have adopted a policy of rotating audit partners every five years.

Deloitte attend the company’s annual general meeting.

Audit committee:

The company does not presently operate an audit committee, however, there is a recognition that a committee will be required in the future in order to comply with good Corporate Governance. In the event an audit committee is adopted, it will be proposed that the following directors be appointed to that committee being Dr. R.D. Shaw and Mr. N.J. Zillman.

The company does not wish to adopt an audit committee at this time; however, one will be formed at the necessary point in time to comply with Corporate Governance practices. If adopted the properly constituted Audit Committee will comprise of the two Australian based directors whose names and qualifications and attendances will be included in the future directors’ report. The responsibilities of the Audit Committee, if adopted, would be laid out in its terms of reference, and amongst other things, includes the responsibility to ensure that an effective internal control framework exists within the entity, to produce half year and annual financial statements.

Managing risks:

The Board meets regularly to evaluate, control, review and implement the company’s operations and objectives.

Regular controls established by the Board include:

- detailed quarterly financial reporting;
- delegation of authority to the Managing Director to ensure approval of expenditure obligations;
- implementation of operating plans, cash flows and budgets by management and Board monitoring of progress against projections; and
- procedures to allow directors, and management in the furtherance of their duties, to seek independent professional advice via the utilisation of various external technical consultants.

The Board recognises the need to identify areas of significant business risk and to develop and implement strategies to investigate these risks.

Commitment to stakeholders & ethical standards:

The Board supports the highest standards of corporate governance and requires its members and the management and staff of the company to act with integrity and objectivity in relation to:

- Compliance with laws and regulations affecting the company’s operations;
- The ASX’s Corporate Governance;
- Employment practices;
- Responsibilities to the community;
- Responsibilities to the individual;
- The environment;
- Conflict of interests;
- Confidentiality;
- Ensure that shareholders and the financial community are at all times fully informed in accordance with the spirit and letter of the ASX’s continuous disclosure requirements;
- Corporate opportunities arising for personal gain or to compete with the company;
- Protection of and proper use of the company’s assets; and

Corporate governance statement

- Active promotion of ethical behaviour.

Monitoring of the board's performance and communication to shareholders:

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is constantly reviewed by the Chairman. The company does not presently have an evaluation of the Board and all the Board members performed by an independent consultant.

The Board aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual financial report which is distributed to all shareholders;
- the availability of the company's quarterly report to shareholders so requesting;
- the half-yearly report distributed to shareholders so requesting;
- adherence to continuous disclosure requirements;
- the annual general meeting and other meetings so called to obtain shareholder approval for Board action as appropriate; and
- the provision of the company's website containing all of the above mentioned reports and its constant update and maintenance.

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Directors' report

The directors of Great Artesian Oil and Gas Limited ("the company") submit herewith the annual financial report of the company for the financial year ended 30 June 2005. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company in office during or since the end of the financial year are:

Directors

Mr. N. J. Zillman B.Sc (Hons), (Non-Executive Chairman)

Mr. N.J. Zillman is a professional geologist with 35 years experience in exploration and production in the petroleum and coal industries in Australia and internationally. Mr. N.J. Zillman has held positions of Managing Director of Queensland Gas Company Limited, Exploration Manager and subsequently Deputy General Manager of Crusader Limited, General Manager Exploration and Production with Claremont Petroleum NL and Beach Petroleum Limited ("Beach"), and Manager of the Petroleum Branch of the Queensland Department of Mines and Energy and State Mining Engineer for Petroleum. He is currently a non-executive director of Planet Gas Limited.

Age: 60 years Date of appointment: 6 November 1997

Dr. R.D. Shaw BSc (Hons), PhD, Dip Law (SAB), M Aus IMM (Managing Director)

Dr. R.D. Shaw has over 25 years experience in the oil and gas exploration industry. Initially as a petroleum explorationist with Shell Development Australia in Perth, then as a principal of a geophysical consulting firm in Sydney, prior to becoming Vice-President and resident director of the Swiss based international consulting firm, Petroconsultants SA, in Singapore. He was a director of Hillgrove Gold N.L., and is a Sydney based independent consultant to industry and government including part time consultant for seven years to the NSW Department of Mineral Resources. He was admitted as a legal practitioner in New South Wales in 1995 but is currently non-practising. He is a member of the American Association of Petroleum Geologists and the Australasian Institute of Mining and Metallurgy.

Age: 52 years Date of appointment: 14 June 2002

Mr. M.P. Callahan B.A., MBA (Non-Executive Director)

Mr. M.P. Callahan has had extensive experience in the planning and economic feasibility of major projects within the energy sector for over 25 years. He has worked in coal and LNG projects in Canada and was a special advisor to Gulf Oil Canada Inc. He was Vice-President of Russell Engineering Group involved in feasibility studies for pipeline and super tanker terminals in Alaska and the US Gulf Coast. From 1992 to 2001 he was Chief Financial Officer of Chase Resource Corporation and more recently he is Managing Director of several subsidiaries of Chase Resource Corporation in the Philippines.

Age: 55 years Date of appointment: 14 June 2002

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 year immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Mr. N.J. Zillman	Planet Gas Limited	Since 20 August 2002

Directors' report

Company secretary

Mr. J. Cooke FCA, ACIS

Mr. J. Cooke is a Chartered Accountant and is a Member of the Chartered Institute of Company Secretaries in Australia. He is a partner of a Chartered Accounting firm which provides corporate secretarial, accounting and taxation services to private and public companies.

Age: 61 years

Date of appointment: 3 December 2002

Principal activities

The principal activity of the company during the financial year was exploration of petroleum prospects. No significant change in the nature of this activity occurred during the financial year.

Directors meetings

The number of directors' meetings held and number of meetings attended by each of the directors of the company during the financial year are:

	Numbers of meetings of full board held	Numbers of meetings of full board attended
Mr. N.J. Zillman	11	11
Dr. R.D. Shaw	11	11
Mr. M.P. Callahan	11	11

The audit, finance, nomination, risk management and environment functions are handled by the full Board of the company. The company is not of a size, nor are its financial affairs of such a complexity, to justify separate committees of the board of directors. This is considered appropriate at the current stage of the company's development but will be reviewed from time to time.

Directors' share and option holding

Particulars of directors' interests in the shares and options of the company as at the date of this report are as follows:

	Fully paid shares held	Options held ⁽¹⁾
Mr. N.J. Zillman	10,626,565	3,000,000
Dr. R.D. Shaw	3,013,250	3,000,000 ⁽²⁾
Mr. M.P. Callahan	21,566,372	-

⁽¹⁾ The options granted to directors each comprise three tranches which are exercisable as follows:

- 1,000,000 at 20 cents within a 12 month period commencing 5 August 2005
- 1,000,000 at 30 cents within a 12 month period commencing 5 August 2006
- 1,000,000 at 40 cents within a 12 month period commencing 5 August 2007

⁽²⁾ On 14 September 2005 4,000,000 options were granted to Dr R D Shaw subject to shareholder approval refer to Note 22.

Directors have not exercised any options during the financial year or to the date of this report.

Directors' report

Employee options

At the time of this report no options, under the Employee Option Plan have been granted to any employee of the company. However, as announced on 14 September 2005 the Board agreed, subject to shareholder approval, to grant 4,000,000 options to Dr. R.D. Shaw, Managing Director.

Remuneration report

Directors' details

The directors of the company during the year were:

- Mr. N.J. Zillman (Non-Executive Chairman)
- Dr. R.D. Shaw (Managing Director)
- Mr. M.P. Callahan (Non-Executive Director)

There are no other executives of the company.

Elements of directors' remuneration

Remuneration packages contain the following key elements:

- (a) Primary benefits – salary and fees;
- (b) Post employment benefits – including superannuation and prescribed retirement benefits;
- (c) Equity – share options granted under the company's Employee Option Plan; and
- (d) Other benefits.

The combination of these comprise the directors' total remuneration.

The following table discloses the remuneration of the directors of the company:

	Primary	Post-employment	Other	Equity		Equity
	Salary & fees	Superannuation	Benefits	options	Total	option as a % of Total
	\$	\$	\$	\$	\$	%
Mr. N.J. Zillman	45,000	4,050	-	23,049	72,099	31.97%
Dr. R.D. Shaw	198,707	18,000	-	23,049	239,756	9.61%
Mr. M.P. Callahan	25,000	-	-	-	25,000	-

On 7 April 2003, the company's shareholders approved the remuneration for non-executive directors for a total of \$150,000 per annum. Non-executive directors receive a fixed amount of director fees per annum which is less than a proportional share of that amount approved by shareholders. There were no executives of the company other than Dr. R.D. Shaw.

Dr. R.D. Shaw is the only director employed by the company under contract. Dr. R. D. Shaw is employed pursuant to the terms of the contract for a period of three (3) years commencing on the 16 June 2003 and may terminate his employment by providing the company with one (1) month's written notice, if a fundamental change occurs or with three (3) month's written notice for any other reason whatsoever.

Directors' report

Elements of directors' remuneration (continued)

If the contract is terminated by the company for reasons other than misconduct the company shall pay a lump sum payment in consideration for past services to the company equating to the greater of: -

- (a) an amount equivalent to 12 months base salary at the time of termination; or
- (b) the maximum amount permissible as at the date of this agreement under section 200G of the Corporations Act (as amended from time to time) and Australian Stock Exchange Listing Rules without obtaining shareholder approval.

Options

As at the date of this report, the company has the following shares subject to options:

Number of options	9,000,000
Class of shares	Ordinary fully paid shares
Exercise price	20cents for 3,000,000 options, 30cents for 3,000,000 options and 40cents for 3,000,000 options
Expiry date	5 August 2006, 5 August 2007 and 5 August 2008 for each of the tranches of 3,000,000 options

In accordance with the terms and conditions of the grant of the options which are exercisable in tranches of 3,000,000 options within a period of 12 months commencing on 5 August 2005, 5 August 2006 and 5 August 2007 at 20cents, 30cents and 40cents per option respectively, there are no other restrictions upon the option holders exercising the options.

Elements of remuneration related to performance

For each director referred to in the above table, other than the options described above, no element of the remuneration is dependent on the satisfaction of a related performance condition.

Remuneration philosophy

The company's broad remuneration policy is to ensure each remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Transparency
- Capital management

The company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Value of options issued to directors

No options were granted, exercised or lapsed during the year.

Directors' report

Dividends

No dividends were paid or declared by the company during the financial year or the prior year. The directors do not recommend the payment of a dividend.

Operating results, review of operations and state of affairs

During the financial year the company undertook three capital raisings. The first, pursuant to a placement agreement dated 17 September 2004 between Bell Potter Securities Limited ("Bell Potter") and the company, Bell Potter undertook to arrange the subscription of 20,000,000 shares at \$0.20 per share. On 1 November 2004 the company allotted the 20,000,000 fully paid ordinary shares to clients of Bell Potter to raise \$4,000,000 before issue costs. The funds raised through this placement were used to maintain the momentum of an accelerated exploration program in PEL 106 including the production testing of the Smegsy-1 discovery. The second and third capital raisings were made pursuant to a placement and conditional underwriting agreement also made between the company and Bell Potter. As announced on 20 June 2005 the company placed 15,000,000 shares at 16 cents per share as an excluded offer pursuant to Section 708 of the Corporations Act with qualified clients of Bell Potter. At the same time it also announced the third capital raising involving a Share Purchase Plan ("the Plan") fully underwritten by Bell Potter.

The Plan offered shareholders the right to subscribe for up to 28,750,000 shares of the company at 16 cents per share in order to raise \$4,600,000. The Plan was conditional upon shareholder approval of a resolution at a general meeting of shareholders held on Monday 25 July 2005. Shareholder approval was unanimous.

Funds from the second and third capital raisings will provide for new exploration drilling activity within the company's low geological risk Patchawarra Trough permits. The funds will enable the company to fulfil its Year 3 permit work program requirements in the prospective PELs 106 and 107 by participation in the drilling of a further 2 wells targeting oil prospects in PEL 107 and the drilling of 3 wells targeting condensate/gas prospects in PEL 106. These wells are in addition to the drilling of the Kiana and Tyinga oil prospects in PEL 107 and a well in PEL 91 targeting Sellick Oil Field "look-alikes" scheduled for 2006.

One new farmin agreement was negotiated during the financial year with Rawson Resources Limited ("Rawson") which was subject to Rawson successfully raising sufficient funds through an initial public offering ("IPO"). Under the terms of this agreement Rawson will earn a 50% interest in a production licence (30% from the company and 20% from Beach) covering any hydrocarbon pools should any farmin well Rawson fully fund result in a commercial discovery within the Apparadage Farmin Block. Rawson will be required to fully fund and conduct a geochemical survey, as part of selecting a proposed well location and then fully fund the drilling of at least one Farmin Well, within the Apparadage Farmin Block – an area covering the western portion of PEL 107. Following the drilling of the farmin well, Rawson has an option to fully fund the drilling of a further two farmin wells on similar terms. A farmin agreement was also negotiated by the company and Rawson, involving Rawson fully funding an "under-balanced exploration well, in order to earn a 50% participating interest within the company's ATP 552 permit, located in the Surat Basin in Queensland. This farmin agreement is also subject to Rawson successfully raising capital through an IPO. The farmin well is anticipated to test the Bellbird West Prospect which lies approximately 2 km west of the Bellbird-1 well, which flowed approximately 12 barrels of oil per day on test from tight Permian reservoirs when drilled in 1984. ATP 552 is located in the prospective oil-prone portion of the Surat Basin, approximately 12 km to the northeast of the Alton Oil Field.

Directors' report

Operating results, review of operations and state of affairs (continued)

During the financial year the company participated in the drilling of two exploration wells; Smegsy-1 in PEL 106 of the South Australian portion of the Cooper Basin and Nulla Nulla-1, located in ATP 549 (West Block) in the Queensland portion of the Cooper Basin. Nulla Nulla-1 well spudded on 14 October 2004 as a test of a faulted anticline with primary reservoir objectives in the Hutton and Namur Sandstone units of Jurassic age located on a large fault related anticline. Under the terms of a farmin agreement Traditional Oil N.L. funded 50% of the company's share of the costs of that well in order to earn a 6.67% interest from the company. Following the drilling of the well the company retained a 25% participating interest in the West Block. Nulla Nulla well drilled to a depth of 2516 m, was plugged and abandoned on 5 November 2004 after wireline log testing and a drill stem test failed to encounter any significant moveable hydrocarbons.

On 16 July 2004 Smegsy-1 was spudded in PEL 106. On 19 August 2004 Smegsy-1 was cased and suspended as a new field gas discovery. Wireline log and pressure data have shown over 24 m of net gas pay within the Patchawarra Formation. Smegsy-1 was 50% funded by Traditional Oil Exploration NL ("Traditional") under a farmin agreement by which Traditional earns a 25% interest in any subsequent commercial discovery.

During July 2004 production testing was undertaken on the Nutmeg-1 and Paranta-1 gas discoveries, which had been drilled in PEL 106 during the preceding financial year. In an announcement to the ASX on 19 July 2004 production testing in Paranta-1, from the interval 2885-2889m in the Patchawarra Formation, flowed gas at a rate of 1.86 million cubic feet, and condensate at a rate of 75 barrels, per day through a 1" choke. Testing of several zones in Nutmeg-1 produced only water, save for the zone 2706-2718m which flowed gas at an uneconomic rate of 0.2 million cubic feet, condensate at a rate of 3 to 6 barrels, and water at a rate of approximately 30 barrels, per day.

In a subsequent ASX release on 28 July 2004 the company announced that further production testing had confirmed the Paranta Gas Field discovery and the presence of at least two gas bearing zones (2885-2889 m and 2837-2847 m) within the Patchawarra Formation which flowed gas at sufficient rates to justify consideration for the drilling of a Paranta-2 development well on the field. Subsequent static gradient testing conducted in June 2005 confirmed that the pressures over the zone 2885 – 2889 m had built back to the original pressures and further engineering studies are being undertaken in order to determine the best manner of exploiting this discovery.

The remaining field activities involved acquisition of seismic data in PEL 91 and PEL 107 and cased hole production testing of the Smegsy-1 gas discovery. Only 23 km of the original 209 km Malleus PEL 91 2D Seismic Survey was acquired in June 2004 prior to its having to be postponed due to rain and flooding along the Cooper Creek. As a result the Operator sought a suspension of the permit work requirements for 5 months. The balance of this program was recorded as the Mytilus Seismic Survey in April 2005. This program was funded by Beach as part of its farmin obligations into that permit. The PEL 91 Malleus and Mytilus seismic programs were designed to provide control across a number of structural leads near the Permian pinchout edge, which demarcates the western flank of the Patchawarra Trough. Following the discoveries at Sellicks and Christies this edge has become an important fairway for oil.

In PEL 107 86 km of 2D seismic data was recorded during the PEL 107 Malleus Seismic Survey. This survey was completed in October 2004 and provided infill seismic control over a number of prospects and leads in and around existing oil fields, including delineation of the Tyinga and Kiana prospects. This seismic survey was operated by Beach on behalf of the PEL 107 Joint Venture (Beach 40%, Great Artesian 60%). In addition, Beach reprocessed 313 km of pre-existing seismic data as part of a remapping of the structuring along the southern flank of the Patchawarra Trough within PEL 107.

Directors' report

Operating results, review of operations and state of affairs (continued)

Cased hole production testing of the Smegsy-1 gas discovery was undertaken using O.D.E Rig #5. On 6 December 2004 the Company announced initial results. The initial clean-up flow from the lower zones of the Patchawarra Formation (2783.5 to 2795.0 and 2796.5 to 2806.3m) flowed gas to surface through a 40/64" choke initially at a rate of 7.6 million cubic feet per day reducing to 4.9 million cubic feet per day with condensate and water. A 12 hour flow test of the upper zone (2734.0 – 2741.0m) produced gas to surface at a stabilized rate of 8.3 million cubic feet per day through a ¾" choke with a pressure of 950 psi and associated condensate and water, each at around 60 barrels per day. In a further notice to the ASX on 15 December 2004 12 hour testing of the lower zones produced at a stabilised rate of 1.08 million cubic feet per day together with 36 barrels of condensate.

Confidential negotiations for the sale or tolling of this gas were conducted during the second half of the financial year. Subsequently a gas sales agreement was signed with the South Australian Cooper Basin Producers ("SACBP") in August 2005 (refer to subsequent events).

On 3 June 2005 the Smegsy Block Joint Venture (comprising the company 75% and Traditional Oil Exploration NL ("Traditional") 25%) announced that it will apply for a Petroleum Production Licence (PPL) encompassing the Smegsy-1 new field gas discovery made in PEL 106 during 2005. This PPL will facilitate the production and sale of gas. Previously the Joint Venture had announced that it had contracted Santos Limited ("Santos") to undertake a front end engineering and design of the tie-in pipeline. This involved surveying the tie-line location, technical specifications of the line, valves and associated equipment.

Technical review of the company's offshore permit, EPP 27, continued during the financial year. A detailed farmin agreement and joint operating agreement were being negotiated with Oilex NL ("Oilex"). Under the terms of a previous Letter Agreement Oilex is required to fully fund an exploration well as part of the Permit Year 6 program, which expires on 23 February 2006.

No field activities were undertaken in any of the company's remaining permits.

Share and option schemes

An Employee Share Option Plan is in existence at the date of this report and no options were granted during the financial year for the purchase of ordinary shares. Each grant of options to be made under the Employee Share Option Plan shall have terms and conditions which are applicable as at the date of the transaction. At the date of this report no options have been granted under the plan and therefore entitled to be exercised, however in an announcement to the ASX dated 14 September 2005, the Board agreed to allot 4,000,000 options to Dr. R.D. Shaw, Managing Director, subject to shareholder approval.

Changes in state of affairs

Significant changes in the state of affairs of the company during the financial year were as follows:

- 1 November 2004 placement of 20,000,000 shares at \$0.20 per share pursuant to a placement with Bell Potter .
- 20 June 2005 placement of 15,000,000 shares at \$0.16 per share pursuant to a placement with Bell Potter.
- 20 June 2005 opening of a Share Purchase Plan offering eligible shareholders the right to subscribe for up to 28,750,000 shares at \$0.16 per share, fully underwritten by Bell Potter.
- On 5 April 2005 Rawson entered into a farmin agreement with Beach and Great Artesian for the Apparadage Block located in the southwestern and western portion of PEL 107.

Directors' report

Changes in state of affairs (continued)

- On 20 April 2005 Rawson entered into a farm-in agreement with Great Artesian for ATP 552.
- On 3 June 2005 the Smegsy Block Joint Venture (comprising Great Artesian 75% and Traditional 25%) announced that it would apply for a petroleum production licence encompassing the Smegsy new field gas discovery.

Subsequent events

The company had announced on 20 June 2005 its intention to adopt a Share Purchase Plan ("Plan"). The Plan involved an offer by the company to each of its eligible shareholders to subscribe for shares with a minimum value of \$1,000 and a maximum value of \$5,000 at an issue price of 16 cents per share. The offer under the Plan was for a total of 28,750,000 shares to raise up to \$4,600,000. The directors had elected to raise funds by way of an issue to eligible shareholders pursuant to an underwritten Plan where each eligible shareholder is entitled to subscribe for up to \$5,000 each being 31,250 shares at 16 cents per share and the Placement of 15,000,000 new shares to qualified clients of Bell Potter Securities Limited ("Bell Potter") a member firm of the ASX, which raised \$2,400,000. An underwriting agreement was executed between the company and Bell Potter on 20 June 2005 pursuant to which Bell Potter agreed to fully underwrite any shortfall from the Plan.

On 25 July 2005 a general meeting of shareholders passed two resolutions. The first, being the approval of the issue of shares forming the shortfall under the Plan to the clients of Bell Potter. The second involved the ratification of placement of the 15,000,000 shares at an issue price of 16 cents each. Both resolutions were passed unanimously.

Also on the 25 July 2005 the company and Magellan Petroleum (Southern) Pty Ltd, a wholly-owned subsidiary of Magellan Petroleum Australia Limited ("Magellan") announced that they had signed a Heads of Agreement ("Agreement") for Magellan to farm in to certain of the company's South Australian Cooper Basin permit interests. The Agreement provides for Magellan to fund all of the company's share of the drilling costs of a minimum of two and up to a maximum of five, exploration wells within PELs 106 and 107. Magellan has agreed to fund the company's 60% share of drilling costs for the Kiana-1 and Tyinga-1 wells to earn a 30% interest in any subsequent production licence if drilling results in a commercial discovery. The Agreement also provides for Magellan to earn additional interests, at its option by funding 60% of the cost of a further three exploration wells, Magellan will earn a similar 30% interest in any production licences following commercial discovery, together with a 20% participating interest in either PEL 107 or PEL 106, depending upon the permit in which that additional drilling occurs.

On 29 August 2005 the company, on behalf of the Smegsy Block Joint Venture, advised that it had successfully negotiated a gas sales agreement with the South Australian Cooper Basin Producers ("SACBP"), operated by Santos Limited ("Santos"), for the purchase of gas to be produced from the joint venture's Smegsy-1 gas discovery well, located in PEL 106. The contract provides for the purchase of raw gas and payment for sales gas, liquefied petroleum gas (LPG) and condensate components for a period of up to 3 years. Specific commercial details of the contract remain confidential, however the contract provides for flexible production consistent with a single well head Smegsy gas field.

On 2 September 2005 the company announced to the ASX that Traditional Oil NL ("Traditional"), a wholly owned subsidiary of Enterprise Energy NL ("Enterprise") had signed a Heads of Agreement ("Agreement") for Enterprise to participate in the drilling of four low-risk oil and gas prospects located in the company's brownfields PEL 106 permit situated in the South Australian Cooper Basin.

The Agreement will see Enterprise fund 25% of the company's share of the drilling costs of four wells, two of which Rossco-1 and Udacha-1, will be drilled between late October and early December 2005. By funding 25% of the company's share of drilling costs Enterprise will earn a 12.5% interest in any subsequent production licence if drilling results in a commercial discovery. The remaining two wells will be drilled during the early portion of 2006 on prospects also within PEL 106, although the final locations will depend upon the outcome of the first two wells. The Agreement provides for Enterprise to delay its commitment to drill in ATP 539P in recognition of the inability of Enterprise to locate a suitable drilling rig to fulfil the drilling of the Planet Downs prospect within the time-frame

Directors' report

Subsequent events (continued)

of the original ATP 539P agreement. The revised farmin terms provides for Enterprise to earn either a 25% or 50% participating interest in ATP 539P subject to its funding 50% or 100% of the Planet Downs well costs, the well now being drilled during calendar year 2006.

Kiana-1 exploration well located in PEL 106 was spudded at 0800 hours (CST) on the 21 August 2005. The well intersected, as planned, an Eromanga sequence of potential reservoirs and Permian Patchawarra formation reservoirs. In total four drill stem tests were conducted. DST # 1 and 2 were conducted within the Mc Kinley Member of the Eromanga Basin sequence were good hydrocarbon shows – fluorescence and gas response was observed. DST #1 was a mis-run and DST #2 recovered water. DST#3 and DST #4 were tests of potential Patchawarra Formation reservoirs. DST#3 recovered 2.5 barrels of oil cut mud and DST #4 flowed gas at a rate of 2.8 million cubic feet per day and oil at a rate of 1100 barrels per day, to surface with no water. The well was drilled to a total depth of 2017 m. On 18 September 2005 the rig was released from Kiana-1 following the running of production casing and completion of the well as a free flowing oil producer. The well has been completed over the zone previously tested in open hole by DST#4. Beach reported a post completion rate estimated to be at least 500 barrels of oil per day with associated gas recorded. A short production test of the zone will be undertaken in the next two months to evaluate the wells performance capacity and to plan development of the field.

On 8 September 2005 Rawson Resources Limited (“Rawson”) notified the company that it had successfully raised its minimum subscription (\$4 million) and that in applying for listing on the ASX, it would fulfil its conditions precedent for two farmin agreements which it had previously entered into with the company. In the first, on 20 April 2005, the company announced to the ASX that the PEL 107 Joint Venture (comprising the company 60% and Beach Petroleum Limited 40% - Operator) had entered into a farmin agreement with Rawson involving PEL 107 which provided for the drilling by Rawson of up to three exploration wells on a no discovery no earn basis”, with a minimum of one well, and to conduct a geochemical survey within a farmin area, encompassing the south-western corner of the PEL 107 permit - the Apparadage Block. Prior to drilling Rawson will undertake the geochemical survey to select the best location for the first well. This well must be drilled within 12 months of completing that geochemical survey. Following drilling of the first well, Rawson has an option to drill a further one or two wells, also within the farmin block. The agreement provides that Rawson will earn a 50% interest in any production licence(s) should any of these wells result in a commercial discovery. However, Rawson does not earn any interest in the exploration acreage of PEL 107, and if there are no commercial discoveries resulting from the drilling, the

Farmin will lapse, with Rawson holding no residual interests. The farmin agreement was conditional upon Rawson undertaking a successful capital raising and listing on the ASX.

In the second farmin agreement which had been announced by the company, on the 22 April 2005, Rawson agreed to farmin to ATP 552, Surat Basin, Queensland. Terms of the agreement provided for Rawson to earn a 50% participating interest by funding the cost of drilling an exploration well. This agreement was also subject to a successful capital raising and listing of the ASX. The well will use under-balanced drilling techniques to test both the Showgrounds Sandstone and underlying Permian sandstone reservoirs.

Future developments

The company will continue to operate as an oil and gas exploration company. In accordance with its objectives the company intends to participate in the drilling of a number of exploration wells and will consider growing its exploration base by farmin, farmout and/or permit application.

Environmental regulations

The company's environmental obligations are regulated under both State and Federal Law. The company has a policy of complying with, and in most cases exceeds its environmental performance regulations. No environmental breaches have been notified to the company or its joint venture partners to the date of this report.

Directors' report

Indemnification of officers and auditors

At the time of this report the company has not entered into any insurance contract to provide directors and officer's liability insurance. However, in accordance with the employment contract with Dr. R.D. Shaw, Managing Director, the company may seek such insurance.

Other than stated above, the company has not during or since the financial year ended, agreed to indemnify an officer or auditor of the company against a liability as such an officer or auditor.

Auditor's independence declaration

The auditor's independence declaration is included on page 18 of the financial report.

This report has been signed in accordance with a resolution of the directors made pursuant to s298(2) of the Corporations Act 2001.

| For and on behalf of the directors



Dr. R. D. Shaw
Managing Director

Sydney, 30 September 2005

The Board of Directors
Great Artesian Oil and Gas Limited
1st Floor
1304 Hay Street
West Perth WA 6005

30 September 2005

Dear Board Members

Great Artesian Oil and Gas Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Great Artesian Oil and Gas Limited.

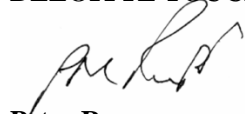
As lead audit partner for the audit of the financial statements of Great Artesian Oil and Gas Limited for the financial year ended 30 June 2005 I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants

Independent audit report to the members of Great Artesian Oil and Gas Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Great Artesian Oil and Gas Limited, for the financial year ended 30 June 2005 as set out on pages 21 to 46.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Deloitte.

Audit Opinion

In our opinion, the financial report of Great Artesian Oil and Gas Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU



Peter Rupp

Partner

Chartered Accountants

Perth, 30 September 2005

Directors' declaration

The directors' declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'R. D. Shaw', written over a horizontal line.

Dr. R. D. Shaw
Managing Director

Sydney, 30 September 2005

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Statement of financial performance
for the financial year ended 30 June 2005

	Notes	2005 \$	2004 \$
Other revenue from ordinary activities	2	185,804	207,540
Administration expenses		(664,539)	(487,140)
Write down of oil and gas interests	10	(385,545)	(1,431,329)
Loss from ordinary activities before income tax expense		(864,280)	(1,710,929)
Income tax expense relating to ordinary activities	3	-	-
Loss from ordinary activities after related income tax	15	(864,280)	(1,710,929)
Total changes in equity other than those resulting from transactions with owners as owners		(864,280)	(1,710,929)
Earnings Per Share - Basic (cents per share)	16	(0.90)	(2.32)
Earnings Per Share - Diluted (cents per share)	16	(0.90)	(2.32)

Notes to the financial statements are included on pages 25 to 46.

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Statement of financial position
as at 30 June 2005

	Notes	2005 \$	2004 \$
Current Assets			
Cash		4,342,205	3,201,447
Receivables	6	327,498	106,138
Other	7	81,555	62,244
Total Current Assets		4,751,258	3,369,829
Non-Current Assets			
Plant and equipment	8	61,592	28,341
Other financial assets	9	112,415	101,798
Oil and gas interests	10	8,085,771	4,559,566
Total Non-Current Assets		8,259,778	4,689,705
Total Assets		13,011,036	8,059,534
Current Liabilities			
Payables	11	170,515	405,096
Accruals	12	86,013	58,450
Total Current Liabilities		256,528	463,546
Total Liabilities		256,528	463,546
Net Assets		12,754,508	7,595,988
Equity			
Contributed equity	14	20,318,611	14,295,811
Accumulated losses	15	(7,564,103)	(6,699,823)
Total Equity		12,754,508	7,595,988

Notes to the financial statements are included on pages 25 to 46.

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Statement of cash flows
for the financial year ended 30 June 2005

	Notes	2005 \$	2004 \$
Cash flows from operating activities			
Payments to suppliers and employees		(627,094)	(532,579)
Interest received		142,758	207,540
Net cash (outflow) from operating activities	23(b)	(484,336)	(325,039)
Cash flows from investing activities			
Payments for plant and equipment		(53,758)	(43,396)
Exploration and evaluation expenditure		(4,343,948)	(5,106,491)
Net cash (outflow) from investing activities		(4,397,706)	(5,149,887)
Cash flows from financing activities			
Proceeds from the issue of shares		6,022,800	9,150,000
Deferred share issue expenses		-	(634,122)
Repayment of borrowings		-	(21,971)
Net cash inflow from financing activities		6,022,800	8,493,907
Net increase in cash held		1,140,758	3,018,981
Cash at the beginning of the financial year		3,201,447	182,466
Cash at the end of the financial year	23 (a)	4,342,205	3,201,447

Notes to the financial statements are included on pages 25 to 46.

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Notes to the financial statements
for the financial year ended 30 June 2005

1. Summary of Accounting Policies

Financial reporting framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of consideration given in exchange for assets.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Accounts payable

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(c) Depreciation

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

- Plant & Equipment 3 to 20 years

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Notes to the financial statements
for the financial year ended 30 June 2005

1. Summary of accounting policies (continued)

(d) *Exploration activities*

Accounting policies in relation to permit acquisition, exploration, evaluation and development expenditure on petroleum exploration activities are as follows:

Acquisition, exploration and evaluation costs are accumulated in respect of each separate area of interest. These costs are carried forward where right of tenure of the area is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest; or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the year the decision is made. Each area of interest is also reviewed annually and accumulated costs are written off to the extent that they are not expected to be recoverable in the future.

Development expenditure will be capitalised to the extent that such costs, together with capitalised exploration and evaluation costs, are expected to be recouped through the successful exploitation or sale of the area of interest.

Capitalised expenditure on exploration evaluation and development will be amortised over the life of the area of interest to which they relate.

Amortisation charges will be determined on a production output basis, unless a time basis is more appropriate. Amortisation is not charged until the commencement of production. Unamortised capitalised expenditure in relation to an area of interest subsequently abandoned is written off in the period the decision to abandon is made.

(e) *Financial instruments issued by the company*

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Notes to the financial statements
for the financial year ended 30 June 2005

1. Summary of accounting policies (continued)

(f) Income tax

Tax-effect accounting principles have been adopted whereby the income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

(g) Joint venture operations

Interests in joint venture operations are reported in the financial statements by including the company's share of net costs incurred in the joint ventures in their respective classification categories.

(h) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(i) Foreign currency

Foreign currency monetary items at reporting date are translated at the exchange rate existing at that date. Exchange differences are recognised net in the Statement of Financial Performance in the period in which they arise.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(k) Operating leases

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Notes to the financial statements
for the financial year ended 30 June 2005

1. Summary of accounting policies (continued)

(l) Recoverable amount of non current assets

Non current assets are written down to recoverable amount where the carrying value of any non current asset exceeds recoverable amount. In determining the recoverable amount of non current assets, the expected net cash flows have not been discounted to their present value.

(m) Revenue recognition

Revenue from the disposal of assets is recognised when the entity has passed control of the goods to the buyer. Interest on bank deposits is recognised as income as it accrues.

2. Loss from ordinary activities

Loss from ordinary activities before income tax includes the following items of revenue and expense:

	2005	2004
	\$	\$
<i>(a) Operating revenue</i>		
Interest	142,758	207,540
Joint Venture & Consulting Fees	43,046	-
	185,804	207,540
<i>(b) Expenses</i>		
Operating lease expense	29,503	-
Depreciation of non-current assets	20,507	17,159
	20,507	17,159

3. Income tax

(a) The prima facie income tax expense on pre-tax accounting loss reconciles to the income tax expense in the financial statements as follows:

<i>Loss from ordinary activities</i>	864,280	1,710,929
Income tax benefit calculated at 30 % (2004 - 30%) of loss from ordinary activities	259,284	513,279
<i>Permanent differences:</i>		
Non-deductible expenditure	-	(2,005)
Future income tax benefit not brought to account (note 3(b))	(259,284)	(511,274)
Income tax expense attributable to loss from ordinary activities	-	-

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Notes to the financial statements
for the financial year ended 30 June 2005

	2005	2004
	\$	\$
Income tax (continued)		
(b) Future income tax benefits not brought to account as assets at 30%		
The potential future income tax benefit arising from tax losses have not been recognised as an asset because recovery is not virtually certain.		
The directors estimate of potential future income tax benefit at 30% (2004 - 30%) not brought to account	4,623,837	1,662,037

The taxation benefit of tax losses not brought to account will only be obtained if:

- (a) assessable income is derived of a nature and of an amount sufficient to enable the benefits to be realised;
- (b) conditions for deductibility imposed by the law are complied with; and
- (c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

4. Directors' remuneration

The specified directors of the Company during the year were:

Mr. N. J. Zillman (Non-Executive Chairman)
Dr. R.D. Shaw (Executive Director)
Mr. M.P. Callahan (Non-Executive)

There are no other executives of the company.

Directors with the greatest authority for strategic direction and management are Mr. N.J. Zillman and Dr. R.D. Shaw. Both have more than a minimum of five years experience in the field of petroleum exploration and prospectivity and therefore provide the company with strategic direction and management in the area of petroleum exploration.

Remuneration of directors

Details of the remuneration of each director of the company are set out below:

Principles used to determine the nature and amount of remuneration.

The objective of the company's reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that these rewards satisfy the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Transparency
- Capital management

Notes to the financial statements
for the financial year ended 30 June 2005

4. Directors' remuneration (continued)

The company has structured a remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- Has economic performance as a core component of plan design
- Focuses on sustained growth in share price and delivering constant return on assets as well as focusing the directors on key non-financial drivers of value
- Attracts and retains high calibre directors

Alignment to program participants' interests:

- Rewards capability and experience
- Reflects competitive reward for contribution to shareholder growth
- Provides a clear structure for earning rewards
- Provides recognition for contribution

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do receive share options. Non-executive directors may opt each year to receive a percentage of their remuneration in the company's shares, which would be acquired on-market.

Directors' fees

The current base remuneration was last reviewed with effect from 1 July 2003. The Chairman's remuneration is inclusive of fees paid whilst chairing the meetings of executives and officers while non-executive directors who chair a meeting receive no additional yearly fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at \$150,000 per the group of non-executive directors.

Retirement allowances for directors

At this time the company does not have a policy for the payment of retirement allowances for non-executive directors appointed.

Elements of directors' remuneration

Remuneration packages contain the following key elements:

- (a) Primary benefits – salary and fees;
- (b) Post employment benefits – including superannuation and prescribed retirement benefits;
- (c) Equity – share options granted under the company's Employee Option Plan; and
- (d) Other benefits.

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Notes to the financial statements
for the financial year ended 30 June 2005

4. Directors' remuneration (continued)

Base pay

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the director's discretion. The directors have been offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for the executive director is reviewed at the expiry of the term of employment to ensure the executive directors pay is competitive with the market. There are no guaranteed base pay increases fixed in the executive director's contract.

Benefits

The executive director is entitled to benefits including health insurance, car allowances and tax advisory services.

Details of remuneration

Details of the remuneration of each director of the company, which includes one as an executive director of the company including their personally-related entities, are set out in the following tables.

	Primary	Post -employment	Other	Equity	
2005	Salary & fees	Superannuation	Benefits	options	Total
	\$	\$	\$	\$	\$
Mr. N.J. Zillman	45,000	4,050	-	23,049	72,099
Dr. R.D. Shaw	198,707	18,000	-	23,049	239,756
Mr. M.P. Callahan	25,000	-	-	-	25,000
	268,707	22,050	-	46,098	336,855

	Primary	Post -employment	Other	Equity	
2004	Salary & fees	Superannuation	Benefits	options	Total
	\$	\$	\$	\$	\$
Mr. N.J. Zillman	45,000	3,375	-	21,344	69,719
Dr. R.D. Shaw	182,596	16,306	-	21,344	220,246
Mr. M.P. Callahan	25,000	-	-	-	25,000
	252,596	19,681	-	42,688	314,965

Service agreement

Remuneration and other terms of employment for Dr. R.D. Shaw was formalised in a service agreement. The service agreement provided for the provision of other benefits including health insurance, car allowance and participation in the company's Directors' Share Plan. Other major provisions of the agreement relating to remuneration are set out below:

- Term of agreement – 3 years from 16 June 2003, with one (1) month's written notice, if a fundamental change occurs or with three (3) month's written notice for any other reason whatsoever;
- If the contract is terminated by the company for reasons other than misconduct the company shall pay a lump sum payment in consideration for past services to the company equating to the greater of: -
 - an amount equivalent to 12 months base salary at the time of termination; or
 - the maximum amount permissible as at the date of this agreement under section 200G of the Corporations Act (as amended from time to time) and Australian Stock Exchange Listing Rules without obtaining shareholder approval.
- Base salary, exclusive of superannuation \$185,776; and
- Novated vehicle lease \$12,931 (excluding GST) has been included in the primary salary and fees in the above table.

GREAT ARTESIAN OIL AND GAS LIMITED
ABN 44 078 607 682

Notes to the financial statements
for the financial year ended 30 June 2005

4. Directors' remuneration (continued)

Share-based compensation – options

The terms and conditions of each grant of options affecting remuneration in future reporting periods are as follows:

Number of options	Grant date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
2,000,000	28 July 2003	5 August 2006	20cents	1.4cents	12 months commencing 5 August 2005
2,000,000	28 July 2003	5 August 2007	30cents	2.4cents	12 months commencing 5 August 2006
2,000,000	28 July 2003	5 August 2008	40cents	3.3cents	12 months commencing 5 August 2007

In accordance with the terms and conditions of the grant of the options which are exercisable in tranches of 2,000,000 options within a period of 12 months commencing on 5 August 2005, 5 August 2006 and 5 August 2007 at 20cents, 30cents and 40cents per option respectively, there are no other restrictions upon the option holders exercising the options. Additional options may also be granted under the company's Employee Option Plan which was approved by shareholders at a general meeting in June 2003. Eligible persons to participate in the plan are those of supervisor level and above (including executive directors) who have been employed by the company. Options are granted under the plan for no consideration. Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. No options have yet been granted under the Employee Option Plan.

Option Holdings

The number of options over ordinary shares in the company held during the financial year by each director of the company and the executive director of the company, including their personally-related entities, are set out below:

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Mr. N.J. Zillman	3,000,000	-	-	-	3,000,000	-
Dr. R.D. Shaw	3,000,000	-	-	-	3,000,000	-
	6,000,000	-	-	-	6,000,000	-

Shareholdings

The number of shares in the company held during the financial year by each director and their personally-related entities are set out below:

Name	Opening balance	Shares movements	Closing balance
Mr. N.J. Zillman	10,595,315	-	10,595,315
Dr. R.D. Shaw	3,013,000	-	3,013,000
Mr. M.P. Callahan	21,566,372	-	21,566,372

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for the financial year ended 30 June 2005

	2005	2004
	\$	\$
4. Directors' remuneration (continued)		
Other transactions with directors of the company		
Vanibe Pty Ltd, a company of which Dr. R.D. Shaw is a director and shareholder, received consulting fees from the company for services provided by Mrs. R.B. Jones during the year ended 30 June 2005 for the amount of \$34,525 (2004 - \$17,275). The terms and conditions are on an arms length basis and are at agreed hourly rates.		
Amounts recognised as an expense		
Consulting fees	34,525	17,275
	<hr/>	<hr/>
5. Remuneration of auditors		
During the year the following amounts were paid to the auditor:		
Auditing the financial statements	18,600	16,000
	<hr/>	<hr/>
6. Current receivables		
Trade receivables	57,031	-
Goods and services tax (GST) receivable	49,664	105,708
Withholding tax	1,080	430
Reimbursement of Joint Venture costs	219,723	-
	<hr/>	<hr/>
	327,498	106,138
	<hr/>	<hr/>
7. Other current assets		
Prepayments	81,555	62,244
	<hr/>	<hr/>
	81,555	62,244
	<hr/>	<hr/>

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Notes to the financial statements
for the financial year ended 30 June 2005

	2005	2004
	\$	\$
8. Plant and equipment		
Gross carrying amount		
Balance at 1 July 2004	57,949	14,553
Additions	53,758	43,396
Balance at 30 June 2005	111,707	57,949
Accumulated depreciation		
Balance at 1 July 2004	29,608	12,449
Depreciation expense	20,507	17,159
Balance at 30 June 2005	50,115	29,608
Net book value	61,592	28,341
9. Other Non-current financial assets		
Deposits on permits	112,415	101,798
10. Other non-current assets		
Oil and gas interests		
The ultimate recoupment of the expenditure on oil and gas interests is dependent upon successful development and commercial exploitation or alternatively the sale of respective areas of interest at an amount at least equal to book value.		
Opening balance	4,559,566	574,204
Expenditure incurred during the year	5,309,269	5,416,691
Recovery of costs from farminees	(1,397,519)	-
Expenditure written off during the year	(385,545)	(1,431,329)
	8,085,771	4,559,566
11. Current payables		
Trade payables	155,446	391,338
Other – PAYG withholding tax	15,069	13,758
	170,515	405,096

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Notes to the financial statements
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	2005	2004
	\$	\$
12. Other current liabilities		
Accruals	86,013	58,450
13. Employee benefits		
At 30 June 2005 the company had 3 employees (2004: 3).		
14. Contributed equity		
116,540,420 fully paid ordinary shares (2004: 81,540,420)	20,318,611	14,295,811
Fully paid ordinary shares		
<i>Balance at beginning of financial year</i>	14,295,811	6,047,995
<i>Issue of shares</i>	6,400,000	9,150,000
<i>Share issue costs</i>	(377,200)	(902,184)
<i>Balance at end of financial year</i>	20,318,611	14,295,811
	No. of shares	No. of shares
Fully paid ordinary shares		
<i>Balance at beginning of financial year</i>	81,540,420	41,040,420
<i>Issue of shares(i)</i>	35,000,000	40,500,000
<i>Balance at end of financial year</i>	116,540,420	81,540,420

(i) During the financial year, the company placed 35,000,000 ordinary shares being: -

- 20,000,000 shares at an issue price of 20 cents per share as an excluded offer pursuant to Section 708 of the Corporations Act; and
- 15,000,000 shares at an issue price of 16 cents per share as an excluded offer pursuant to Section 708 of the Corporations Act with qualified clients.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

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	2005	2004
	\$	\$
15. Accumulated losses		
Balance at beginning of year	6,699,823	4,988,894
Loss from ordinary activities after income tax	864,280	1,710,929
Balance at end of financial year	<u>7,564,103</u>	<u>6,699,823</u>
16. Earnings per share		
Basic earnings per share (cents per share)	<u>(0.90)</u>	<u>(2.32)</u>
Earnings used in the calculation of basic earnings per share	<u>(864,280)</u>	<u>(1,710,929)</u>
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	<u>96,321,242</u>	<u>73,797,251</u>
Diluted earnings per share (cents per share)	<u>(0.90)</u>	<u>(2.32)</u>
Earnings used in the calculation of diluted earnings per share	<u>(864,280)</u>	<u>(1,710,929)</u>
The weighted average number of ordinary shares on issue used in the calculation of diluted earnings per share	<u>96,321,242</u>	<u>73,797,251</u>
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:		
Employee options	<u>6,000,000</u>	<u>6,000,000</u>

Refer to Note 14 for details of shares issued. No new options were issued in the financial year.

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	2005	2004
	\$	\$
17. Commitments for expenditure		
(a) Rental sub lease commitments		
Not longer than 1 year	44,692	-
Longer than 1 year but not longer than 5 years	13,080	-
Longer than 5 years	-	-
	57,772	-
(b) Exploration expenditure commitments		
Not longer than 1 year	-	-
Longer than 1 year but not longer than 2 years	-	-
Longer than 2 years but not longer than 5 years	-	-
Longer than 5 years	-	-
	-	-
(c) Exploration work obligations		

In acquiring its oil and gas interests, the company has pledged that the following work programs occur on each permit/interest. An estimate of the cost of performing the stated work programs is also shown. These work obligations are not expenditure commitments. At this stage it is the company's intention to farm-out a portion of the cost of the seismic surveys and drilling of wells pledged to be carried out for a reduced expenditure outlay to the company. In addition, the work programs may alter or the permit/interest relinquished dependent upon exploration results. Exploration expenditure contracted for, or committed to, at year-end but not provided for, which form part of the work obligations below are disclosed in paragraph (b) above.

i) Wholly-Owned Oil and Gas Interests

Project	Work Program	Program Costs	Year 1	Years 2 – 5
			\$	\$
ATP	Yr 1 – 1 well	\$1,300,000 ⁽ⁱ⁾	975,000	-
539P	Yr 2 to 5 – 2D seismic + 1 well	\$1,600,000 ⁽ⁱ⁾	-	1,200,000
PEL	Yr 1 – 100km seismic + 2 wells	\$4,500,000 ⁽ⁱⁱ⁾	2,000,000	-
106	Yr 2 to 5 – 100km seismic + 6 wells	\$12,000,000 ⁽ⁱⁱ⁾	-	10,575,000
ATP 552P	No work – renewal with Dept Natural Resources & Mines	⁽ⁱⁱⁱ⁾		
EPP 27	Yr 1 – 1 well	\$8,000,000 ^(iv)	-	-
	Yr 2 to 5 – subject to renewal	-	-	-
			2,975,000	11,775,000

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Notes to the financial statements
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17. Commitments for expenditure (continued)

It is the company's intention to farm-out a portion of the cost of exploration expenditure, thereby reducing the contribution to costs, or if a farmout is not possible, to relinquish the permits.

- (i) Traditional has farmed into ATP 539P and has a commitment to contribute to 25% of expenditure.
- (ii) Traditional has agreed to farm in to PEL 106 and may earn a 12.5% interest in any petroleum discovery by contributing to 25% of the costs of expenditure on four exploration wells.
Beach has farmed into the farm in block in PEL 106 and will fully fund the drilling of Middleton-1 in year 1.
- (iii) The company entered into a farm in agreement on 22 April 2005 with Rawson conditional upon Rawson successfully completing a capital raising and listing on the ASX. The farm in agreement provides for Rawson to fully fund an exploration well in order to earn a 50% interest in the permit. Rawson notified the company on 9 September 2005 that it would fulfill its conditions precedents and proceed with the farm in (refer to Note 22).
- (iv) Under the terms of a letter agreement with Oilex, Oilex will fully fund the cost of drilling an exploration well within EPP 27.

ii) Joint Venture Owned Oil and Gas Interests

Project	Work Program	Program Costs	Year 1 \$	Years 2 – 5 \$
PEL 91 (60%)	Yr 1 – Geological and geophysical review	\$180,000 ⁽ⁱ⁾	108,000	-
	Yr-2 to 5 Seismic + 3 wells	\$6,000,000	-	3,600,000
PEL 107 (60%)	Yr-1 – 50km seismic + 2 wells	\$2,800,000 ⁽ⁱⁱ⁾	120,000	-
	Yr-2 to 5 - 100km seismic + 7 wells	\$9,500,000 ⁽ⁱⁱⁱ⁾	-	4,920,000
ATP 549P (25%) (West)	Yr 1 – Geological and geophysical review	\$100,000 ^(iv)	25,000	-
	Yr 2 to 5 – 200km of seismic + 1 well	\$2,000,000 ^(iv)	-	500,000
ATP 549P (Cypress)(40%)	Yr 1 – see work obligation on ATP 549P (West)	-	-	-
	Yr 2 to 5 – 200km seismic + 1 well	\$2,000,000	-	800,000
			253,000	9,820,000

- (i) These amounts represent the estimated costs to be incurred to comply with the terms of the relevant permit.
- (ii) Magellan has agreed to fund the company's 60% share of drilling costs for two wells to earn a 30% interest in any subsequent production licence if drilling results in a commercial discovery.
- (iii) On 20 April 2005, the company entered into a farm in agreement with Rawson conditional upon Rawson successfully completing a capital raising and listing on the ASX. The farm in agreement provides for Rawson to fully fund an exploration well in order to earn a 50% interest in the permit. Rawson notified the company on the 9 September 2005 that it would fulfill its condition precedent and proceed with the farm in (refer to Note 22).

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Notes to the financial statements
for the financial year ended 30 June 2005

17. Commitments for expenditure (continued)

- (iv) Traditional farmed into ATP 549P (West) and have earned their farmin interest following the drilling of Nulla Nulla 1 well. The company now has a 25% interest in this permit, for which application for renewal has been lodged with the relevant Department.

18. Contingent liabilities and contingent assets

Contingent liabilities

As at the date this report is made out, there were no contingent liabilities not disclosed elsewhere in this report.

Contingent assets

As at the date this report is made out, there were no contingent assets not disclosed elsewhere in this report.

19. Joint venture operations

The principal activity of the following joint venture operations is the exploration of petroleum:

Name of entity	Basin	Output interest	
		2005 %	2004 %
PEL 91	Cooper/Eromanga South Australia	60% ⁽¹⁾	60% ⁽¹⁾
PEL 106	Cooper/Eromanga South Australia	60% ^{(1) (2)}	-
PEL 107	Cooper/Eromanga South Australia	60% ^{(1) (3)}	60% ⁽¹⁾
ATP 539P	Cooper/Eromanga Queensland	100% ⁽²⁾	100% ⁽²⁾
ATP 549P (West)	Cooper/Eromanga Queensland	25% ⁽²⁾	33.3% ⁽²⁾
ATP 549P (Cypress)	Cooper/Eromanga Queensland	40%	40%
ATP 552P	Surat Basin Queensland	100% ⁽³⁾	100%
EPP 27	Otway Basin South Australia	100% ⁽⁴⁾	100%

⁽¹⁾ Subject to farmin agreements with Beach

⁽²⁾ Subject to farmin agreements with Traditional

⁽³⁾ Subject to farmin agreements with Rawson

⁽⁴⁾ Subject to farmin agreements with Oilex

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Notes to the financial statements
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19. Joint venture operations (continued)

The company's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the financial statements under their respective asset categories:

	2005	2004
	\$	\$
Current assets		
Receivables	219,723	-
Current assets	219,723	-
Total assets	219,723	-

Contingent liabilities and capital commitments

The capital commitments and contingent liabilities arising from the company's interest in joint venture operations are disclosed in notes 17 and 18 respectively.

20. Segment information

The company operates in a single segment being the petroleum exploration industry in Australia.

21. Related party and specified directors disclosures

(a) Specified directors' remuneration

Details of specified directors' remuneration are disclosed in Note 4 to the financial statements.

(b) Directors' shareholdings

Ordinary shares held directly and indirectly in the company as at the reporting date:

	2005	2004
	No. of shares	No. of shares
Fully paid ordinary shares		
Balance at beginning of financial year	35,174,687	37,043,750
Shares transferred to non related parties	-	(1,869,063)
Balance at end of financial year	35,174,687	35,174,687

(c) Director related transactions

During the year, the company paid \$34,525 (2004 \$17,275) to Vanibe Pty Ltd for secretarial services provided by Mrs. R.B. Jones, CPA. Dr. R.D. Shaw, Managing Director of the company is a director and has a beneficial interest in Vanibe Pty Ltd.

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22. Subsequent events

It is the opinion of the directors of the company, that in the interval between the end of the period and the date of this report, there are items, transactions or events of a material and unusual nature significantly affecting the operations of the company. The directors believe the following items, transactions or events are relevant:

The company had announced on 20 June 2005 its intention to adopt a Share Purchase Plan ("Plan"). The Plan involved an offer by the company to each of its eligible shareholders to subscribe for shares with a minimum value of \$1,000 and a maximum value of \$5,000 at an issue price of 16 cents per share. The offer under the Plan was for a total of 28,750,000 shares to raise up to \$4,600,000. The directors had elected to raise funds by way of an issue to eligible shareholders pursuant to an underwritten Plan where each eligible shareholder is entitled to subscribe for up to \$5,000 each being 31,250 shares at 16 cents per share and the placement of 15,000,000 new shares to qualified clients of Bell Potter Securities Limited ("Bell Potter") a member firm of the ASX, which raised \$2,400,000. An underwriting agreement was executed between the company and Bell Potter on 20 June 2005 pursuant to which Bell Potter agreed to fully underwrite any shortfall from the Plan.

On 25 July 2005 a general meeting of shareholders passed two resolutions. The first, being the approval of the issue of shares forming the shortfall under the Plan to the clients of Bell Potter. The second involved the ratification of placement of the 15,000,000 shares at an issue price of 16 cents each. Both resolutions were passed unanimously.

Also on the 25 July 2005 the company and Magellan Petroleum (Southern) Pty Ltd, a wholly-owned subsidiary of Magellan Petroleum Australia Limited ("Magellan") announced that they had signed a Heads of Agreement ("Agreement") for Magellan to farm in to certain of the company's South Australian Cooper Basin permit interests. The Agreement provides for Magellan to fund all of the company's share of the drilling costs of a minimum of two and up to a maximum of five, exploration wells within PELs 106 and 107. Magellan has agreed to fund the company's 60% share of drilling costs for the Kiana-1 and Tyringa-1 wells to earn a 30% interest in any subsequent production licence if drilling results in a commercial discovery. The Agreement also provides for Magellan to earn additional interests, at its option by funding 60% of the cost of a further three exploration wells, Magellan will earn a similar 30% interest in any production licences following commercial discovery, together with a 20% participating interest in either PEL 107 or PEL 106, depending upon the permit in which that additional drilling occurs.

On 29 August 2005 the company, on behalf of the Smegsy Block Joint Venture, advised that it has successfully negotiated a gas sales agreement with the South Australian Cooper Basin Producers ("SACBP"), operated by Santos Limited ("Santos"), for the purchase of gas to be produced from the joint venture's Smegsy-1 gas discovery well, located in PEL 106. The contract provides for the purchase of raw gas and payment for sales gas, liquefied petroleum gas (LPG) and condensate components for a period of up to 3 years. Specific commercial details of the contract remain confidential, however the contract provides for flexible production consistent with a single well head Smegsy gas field.

On 2 September 2005 the company announced to the ASX that Traditional Oil NL ("Traditional"), a wholly owned subsidiary of Enterprise Energy NL ("Enterprise") had signed a Heads of Agreement ("Agreement") for Enterprise to participate in the drilling of four low-risk oil and gas prospects located in the company's brownfields PEL 106 permit situated in the South Australian Cooper Basin.

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22. Subsequent events (continued)

The Agreement will see Enterprise fund 25% of the company's share of the drilling costs of four wells, two of which Roscco-1 and Udacha-1, will be drilled between late October and early December 2005. By funding 25% of the company's share of drilling costs Enterprise will earn a 12.5% interest in any subsequent production licence if drilling results in a commercial discovery. The remaining two wells will be drilled during the early portion of 2006 on prospects also within PEL 106, although the final locations will depend upon the outcome of the first two wells. The Agreement provides for Enterprise to delay its commitment to drill in ATP 539P in recognition of the inability of Enterprise to locate a suitable drilling rig to fulfil the drilling of the Planet Downs prospect within the time-frame of the original ATP 539P agreement. The revised farmin terms provides for Enterprise to earn either a 25% or 50% participating interest in ATP 539P subject to its funding 50% or 100% of the Planet Downs well costs, the well now being drilled during calendar year 2006.

Kiana-1 exploration well located in PEL 106 was spudded at 0800 hours (CST) on the 21 August 2005. The well intersected, as planned, an Eromanga sequence of potential reservoirs and Permian Patchawarra formation reservoirs. In total four drill stem tests were conducted. DST # 1 and 2 were conducted within the Mc Kinley Member of the Eromanga Basin sequence where good hydrocarbon shows – fluorescence and gas response were observed. DST #1 was a mis-run and DST #2 recovered water. DST#3 and DST #4 were tests of potential Patchawarra Formation reservoirs. DST#3 recovered 2.5 barrels of oil cut mud and DST #4 flowed gas at a rate of 2.8 million cubic feet per day and oil at a rate of 1100 barrels per day, to surface with no water. The well was drilled to a total depth of 2017 m. On 18 September 2005 the rig was released from Kiana-1 following the running of production casing and completion of the well as a free flowing oil producer. The well has been completed over the zone previously tested in open hole by DST#4. Beach reported a post completion rate estimated to be at least 500 barrels of oil per day with associated gas recorded. A short production test of the zone will be undertaken in the next two months to evaluate the wells performance capacity and to plan development of the field.

On 8 September 2005 Rawson Resources Limited (“Rawson”) notified the company that it had successfully raised its minimum subscription (\$4 million) and that in applying for listing on the ASX, it would fulfil its conditions precedent for two farmin agreements which it had previously entered into with the company. In the first, on 20 April 2005, the company announced to the ASX that the PEL 107 Joint Venture (comprising the company 60% and Beach Petroleum Limited 40% - Operator) had entered into a farmin agreement with Rawson involving PEL 107 which provided for the drilling by Rawson of up to three exploration wells on a no discovery no earn basis”, with a minimum of one well, and to conduct a geochemical survey within a farmin area, encompassing the south-western corner of the PEL 107 permit - the Apparadage Block. Prior to drilling Rawson will undertake the geochemical survey to select the best location for the first well. This well must be drilled within 12 months of completing that geochemical survey. Following drilling of the first well, Rawson has an option to drill a further one or two wells, also within the farmin block. The agreement provides that Rawson will earn a 50% interest in any production licence(s) should any of these wells result in a commercial discovery. However, Rawson does not earn any interest in the exploration acreage of PEL 107, and if there are no commercial discoveries resulting from the drilling, the Farmin will lapse, with Rawson holding no residual interests. The farmin agreement was conditional upon Rawson undertaking a successful capital raising and listing on the ASX.

In the second farmin agreement which had been announced by the company, on the 22 April 2005, Rawson agreed to farmin to ATP 552, Surat Basin, Queensland. Terms of the agreement provided for Rawson to earn a 50% participating interest by funding the cost of drilling an exploration well. This agreement was also subject to a successful capital raising and listing on the ASX. The well will use under-balanced drilling techniques to test both the Showgrounds Sandstone and underlying Permian sandstone reservoirs.

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Notes to the financial statements
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23. Notes to the statement of cash flows

	2005	2004
	\$	\$
(a) Reconciliation of cash		
Cash at bank	4,342,205	3,201,447
(b) Reconciliation of loss from ordinary activities after income tax to net cash outflow from operating activities		
Loss from ordinary activities After income tax	(864,280)	(1,710,929)
Non cash items		
Depreciation	20,507	17,159
Write off of capitalised oil and gas expenditure	385,545	1,431,329
Changes in assets and liabilities		
(Increase)/Decrease in Assets:		
Current Receivables	8,043	(59,274)
Other Current Assets	(11,428)	-
Other Non Current Financial Assets	(10,617)	-
Increase/(Decrease) in Liabilities:		
Current payables	22,344	(53,774)
Other Current Liabilities	(34,450)	50,450
Net cash from operating activities	(484,336)	(325,039)

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Notes to the financial statements
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24. Financial instruments

(a) Significant accounting policies

Details of significant accounting policies and methods adopted in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(b) Credit risk

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the company. The company generally does not require collateral where credit is extended to third parties. The company measures credit risk on a fair value basis. The company does not have any significant credit risk exposure to any third party or group of third parties having similar characteristics.

(c) Fair value

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

(d) Interest rate risk

Cash assets are subject to very little interest rate risk as the company only has at call bank accounts. The average interest rate applicable to funds on deposit was 5.2% per annum (2004 - 4.5% per annum).

There are no other financial assets or liabilities that are exposed to interest rate risk as they are not interest bearing.

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25. Adoption of Australian equivalents to international financial reporting standards

The Australian Accounting Standards Board (AASB) has issued Australian equivalents to International Financial Reporting Standards ("A-IFRS") for application to reporting periods beginning on or after 1 January 2005. The company has commenced reviewing the transition from its current policies to A-IFRS. The adoption of A-IFRS will be first reflected in the financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Under AASB1 the company, in complying with A-IFRS for the first time is required to restate its comparative financial statements to amounts reflecting the application of A-IFRS to that comparative period. Most adjustments required on transition to A-IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

At the date of this financial report, the company has substantially completed the assessment of accounting policy alternatives on transition to A-IFRS, and A-IFRS accounting policies that will be adopted from 1 July 2005. In addition, the company is in the process of completing its analysis of the likely impact on the results and financial position of the company. Key areas where accounting policies are likely to change and may impact on the financial statements of the company include the following:

(a) Income tax

In accordance with Australian Standard AASB 112 income taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of the company's assets and liabilities in the balance sheet and their associated tax bases. This represents a fundamental change to the way the company currently calculates its tax balances, where deferred tax balances are determined using the income statement method. The company is currently evaluating the impacts of AASB 112 on the financial statements. The company has carried forward tax losses which have not been recognised as deferred tax assets in the 30 June 2005 financial statements as they do not satisfy the 'virtually certain' criteria under current Australian GAAP. Although the company's evaluation of the impacts of AASB 112 is not complete, the company believes that these losses will also not be recognised as deferred tax assets under A-IFRS because at this stage it is believed that they will not meet the 'probable' recognition criteria under A-IFRS. The company may also be required to recognise additional deferred tax liabilities on transition to A-IFRS, however the impacts, if any, are not yet determinable.

(b) Financial instruments

The company has elected not to retrospectively apply AASB132 and 139. Accordingly there are no financial impacts on the financial statements in relation to these two standards as at 30 June 2005.

(c) Share based payments

Under Australian Standard AASB 2 *Share-based Payment*, the company will be required to determine the fair value of options issued to employees and recognise an expense in the income statement. For options on issue on the application of AASB 2 an adjustment for their recognition will be made against opening retained earnings. The company had 9,000,000 share options that were issued on 28 July 2003 and unvested as at 1 January 2005.

As a consequence share based payment expense will increase by \$69,147 for the year ended 30 June 2005 and be recognised as contributed equity. In addition, this will result in an increase in the opening accumulated loss at 1 July 2004 in respect of years prior to fiscal 2005 for \$64,032, which will increase contributed equity by the same amount.

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25. Adoption of Australian equivalents to international financial reporting standards (continued)

(d) Provision for rehabilitation and restoration

In accordance with Australian Standard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, the company will be required to fully provide, based on discounted future cash flows, for rehabilitation and restoration where there is a legal or constructive obligation. In accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* these costs will be capitalised to the exploration and evaluation assets at the date of transition and will not be subject to depreciation, however, it will be subject to impairment testing. The company will be required to recognise the unwinding of the discount in relation to the provision applied directly as an interest expense. The company is evaluating the likely cost of restoration work to be undertaken in the future.

(e) Capitalisation of exploration and evaluation costs

AASB 6 *Exploration for and Evaluation of Mineral Resources* permits the area of interest method of accounting to continue for exploration and evaluation expenditure and thus AASB 6 should provide outcomes consistent with those under the existing standard AASB 1022 *Accounting for the Extractive Industries* in accounting for the initial recognition of exploration and evaluation assets.

In addition, AASB 6 requires an annual assessment of impairment for exploration and evaluation assets using four indicators of impairment. These indicators are consistent with the initial recognition criteria of the existing standard and thus it is not expected that there will be a significant impact on results arising from the impairment testing requirements.

(f) Property, plant and equipment

On initial adoption of A-IFRS items of plant and equipment are measured at the A-IFRS cost. The directors have not elected to use fair value as deemed cost to measure an item of plant and equipment as the change, given the current written down value of plant and equipment, is likely to be immaterial.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AASB equivalents to IFRS. As noted above these are expected to be the material areas of impact for the entity that have been identified.

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Additional ASX information

The following is additional information provided in accordance with the listing requirements of the Australian Stock Exchange Limited.

Shareholdings at 31 August 2005

(a) Substantial shareholders

As shown in the company's register of substantial shareholders is set below:

	Ordinary shares	%
Mr. M.P. Callahan	21,566,372	14.84
Mr. N. J. Zillman	10,626,565	7.31

(b) Distribution of shareholder's holdings

Ordinary shares held	Shareholders
1 – 1,000	33
1,001 – 5,000	157
5,001 – 10,000	266
10,001 – 100,000	992
100,001 – and over	197
Total	1,645

There are seventy eight (78) shareholders who hold less than a marketable parcel.

(c) Stock exchange listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the ASX under the code GOG.

(d) Income tax

The company is taxed as a public company.

(e) Voting rights

On show of hands one vote for every registered Shareholder and on a poll, one vote for each share held by a registered Shareholder.

(f) Restricted securities

At the date of this report there are no securities subject to any restrictions.

(h) Use of cash

The company used cash and assets in a form readily convertible to cash in a manner that was consistent with its business objectives during the year ended 30 June 2005.

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Additional ASX information (continued)

(i) Interest in petroleum permits

Permit Number	Basin	2005 %	2004 %
PEL 91	Cooper/Eromanga South Australia	60% ⁽¹⁾	60% ⁽¹⁾
PEL 106	Cooper/Eromanga South Australia	60% ^{(1) (2)}	-
PEL 107	Cooper/Eromanga South Australia	60% ^{(1) (3)}	60% ⁽¹⁾
ATP 539P	Cooper/Eromanga Queensland	100% ⁽²⁾	100% ⁽²⁾
ATP 549P (West)	Cooper/Eromanga Queensland	25% ⁽²⁾	33.3% ⁽²⁾
ATP 549P (Cypress)	Cooper/Eromanga Queensland	40%	40%
ATP 552P	Surat Basin Queensland	100% ⁽³⁾	100%
EPP 27	Otway Basin South Australia	100% ⁽⁴⁾	100%

⁽¹⁾ Subject to farmin agreements with Beach

⁽²⁾ Subject to farmin agreements with Traditional

⁽³⁾ Subject to farmin agreements with Rawson

⁽⁴⁾ Subject to farmin agreements with Oilex

(j) Additional information

This annual report, where it relates to commentary on petroleum exploration and prospectivity, is based on the information compiled by either Mr. N.J. Zillman and/or Dr. R.D Shaw who are both directors of the company and who both have more than the minimum of five years experience in the field of activity on which they are reporting.

The company continues to comply with the ASX Listing Rules disclosure requirements and has not been queried by ASX since having listed. The company reports to ASX which makes available all reports to those who wish to access them. All ASX releases and other background information are posted regularly on the company's website. The company intends to post on its website its annual report and all other required notices to its shareholders.

The board reviews and receives advice on areas of operational and financial risks. Business risk management strategies are developed as appropriate to mitigate all identified risks of the business. The directors are aware of the guidelines for the content of a code of conduct to guide compliance with legal and other obligations to shareholders but have not formally established such a code. Where applicable to its activities, the directors ensure that the company is responsible to its shareholders, employees, contractors, advisers, individuals and the community.

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Additional ASX information (continued)

(k) Top twenty shareholders as at 31 August 2005

NAME	SHARES	%
CVL Resources (Barbados) Ltd	20,797,712	14.31
Rockmaster Pty Ltd	10,626,565	7.31
Jetan Pty Limited	4,022,205	2.77
Raymond Douglas Shaw & Ms Rita Barbara Jones <R&R Global Investments A/C>	3,031,250	2.09
Mr Robert Neil Pullan	2,050,000	1.41
Rightway Capital Corporation	2,037,013	1.40
Mrs Carmel Anne Pullan	1,950,000	1.34
Totem Investments Inc	1,882,063	1.30
Dixtru Pty Limited	1,517,350	1.04
Citicorp Nominees Pty Ltd	1,500,000	1.03
JP Morgan Nominees Australia Limited	1,500,000	1.03
Mr Ross James Thomas	1,499,500	1.03
Take Stock Pty Limited	1,250,000	0.86
Stratton Family Pty Ltd <The B&S Family A/C>	1,200,000	0.83
Dr Christopher Chee Kin Ho	1,072,205	0.74
Cicipool Pty Limited <Male Super Fund A/C>	1,000,000	0.69
Mr Cavil Singh <The Handmade A/C>	1,000,000	0.69
Mr Stephen Francis Lambert +Mr Nigel John Lambert + Mrs Rita Mary Lambert <Lambert Super Fund A/C>	990,838	0.68
Mrs Cynthia Anne Archer	950,000	0.65
Dayal Singh Pty Ltd <Singh Super Fund A/C>	781,250	0.54
Total	60,657,951	41.74

The 20 largest Shareholders hold 41.74% of the issued capital of the company.