GLOBAL PETROLEUM LIMITED

ANNUAL REPORT 2006

ABN 68 064 120 896

Directors

John Armstrong – Executive Chairman
Peter Blakey
Mark Savage
Peter Taylor
Peter Dighton

Secretary

Des Olling

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Bankers

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Stock Exchange Listing

Global Petroleum Limited shares are listed on the Australian Stock Exchange (Symbol: GBP) and the Alternative Investment Market (AIM) of the London Stock Exchange (Symbol: GBP)

Home Exchange: Brisbane Office

Australian Stock Exchange
Level 5, 123 Eagle Street
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The Company

Global Petroleum Limited (Global) is an Australian based oil and gas company which has a portfolio of high upside oil and gas projects, via its holdings in Kenya and Malta and its shareholding in Falkland Oil and Gas Limited. We will continue to seek projects which fit the Company's strategy of leveraging value from an initial high equity in technically sound projects where the success case can have a material impact on the Company, and deliver significant shareholder value.

The Past Year

Kenya

- Some 50 prospects and leads identified in L-5 and L-7
- Woodside committed to drilling two wells, one in L-5 and one in L-7
- Woodside secured a drilling rig for wells in L-5 and L-7
- Withdrew from L-10 and L-11

Malta

- RWE Dea farmed in for initial 20% interest with the option to increase to 70% if it commits to a well

Ireland

- Reprocessed of 200 kms of seismic data
- Remapped prospect and farminee continues to be sought

FOGL

- 100 prospects and leads identified
- Farminee continues to be sought

The Year Ahead

Kenya

- L-5 - Drill Pomboo Prospect in the last quarter of 2006
- L-7 - Drill Sokwe Prospect in the last quarter of 2006

Malta

- Blocks 4 & 5 - Seismic survey in September / October 2006
  - Well commitment decision by RWE by the end of 2006

Ireland

Part Blocks
- 57/3, 4, 8 & 9 - Seek farminee to share costs, risks and upside

Falkland Oil and Gas Limited

- Controlled Source Electro-Magnetic Survey in second half of 2006
- New 2D seismic survey in 2006/2007
- Plans to secure a drilling rig for drilling in 2008

New Projects

- Consider new projects which fit the Company's strategy and goals

Schedule of Assets

Country or Company	Licence No.	Area Km^2 (gross)	Location	Global %
Kenya	L-5	8,700	Offshore Kenya	20.0
Kenya	L-7	6,900	Offshore Kenya	20.0
FOGL*	PL010-016	15,000	Offshore Falkland Islands	14.0
FOGL	PL025-031	50,566	Offshore Falkland Islands	14.0
Ireland	Parts of blocks 57/3, 57/4,57/8, 57/9	319	North Celtic Sea	100.0
Malta	Blocks 4 & 5 of Areas 3	2,844	Offshore Malta	80.0

* Falkland Oil and Gas Limited

Chairman's Letter

Since the last Annual Report, the Company has made good progress towards investigating the petroleum potential in its key project areas.

In Kenya, the Joint Venture, strengthened by a new participant - the very large Spanish company Repsol Exploration SA, has contracted the deep water drilling vessel "Chikyu" to drill two wells in the last quarter of 2006. Global's 20% share of the cost of these two wells is fully funded by the farminees. This is the Company's most important project where the success case outcome could add significant value to the Company.

A few months ago we secured RWE Dea AG (a large German oil and gas company) as a farminee to the Company's offshore Malta project. RWE will conduct a seismic program in the second half of this year and will make a well commitment decision by year's end. Global's share of the cost of the seismic and the well will be fully funded by RWE. This is an interesting project in reasonably shallow water where an oil or gas discovery will be able to be promptly brought on stream into European markets.

We are still seeking a new participant to join our 100% owned offshore Ireland project. The farmout program is being managed by a UK based project broker – Envoi Limited – who had previously assisted in introducing RWE to our Malta project.

At the end of 2005, I retired as Executive Chairman of Falkland Oil and Gas Limited ("FOGL") in which Global has a 14% shareholding. FOGL now has a full-time CEO, Mr Tim Bushell, based in London. FOGL has recently announced new technical initiatives, including a Controlled Source Electro-Magnetic Survey as a potential direct indicator of the presence of oil and gas, and further 2D seismic to define prospects for drilling. In its 2006 Annual Report, FOGL has indicated that it is "looking at a number of ways to secure a drilling rig" in order to "commence exploratory drilling in 2008".

During the past year, we sold our shareholding in Falkland Gold and Minerals Limited for a A$1.1 Million profit and adding A$1.8 Million cash to the Company.

Further information on all of the Company's projects is in our various releases and reports – all of which are on the Company's website: www.globalpetroleum.com.au. Information on FOGL's projects can be obtained from its website: www.fogl.com.

The Company is in a sound financial position, having access to funds of some A$42.2 Million via its cash at 30 June 2006 of A$7.0 Million and its 14% of FOGL which had a value to the Company of A$35.2 Million on 30 June 2006.

The coming year will be a very interesting one for the Company.

Dr John Armstrong
Executive Chairman

Glossary of terms

ASIC
Australian Securities and Investments Commission.

AIM
Alternative Investment Market UK.

ASX
Australian Stock Exchange Limited.

bbl
Barrel. One barrel equals 42 U.S. gallons, 35 Imperial gallons, or approximately 159 litres.

Basin
A segment of the earth's crust which has downwarped, and in which sediments have accumulated; such areas may contain hydrocarbons.

Controlled Source Electro-Magnetic Survey (CSEM)
New technology which defines resistive anomalies in the subsurface and can be used as a direct hydrocarbon indicator.

Cretaceous targets
Prospects for drilling which have potential reservoir objectives of cretaceous age ie, between 65 and 140 million years old.

Deep water
Water depths greater than 200m.

Farmin, farmout, farminee, farmor
A joint venture in which an incoming (farmin) partner (farminee) earns an interest in a property by funding costs of exploration, while the (farmout) partner (farmor) owning the property does not contribute.

Hydrocarbon
A class of naturally-occurring organic compounds containing only carbon and hydrogen atoms (in practice, small quantities of sulphur, oxygen and nitrogen and their compounds may also be present); hydrocarbons include natural gas, liquefied petroleum gas, natural gas condensate and crude oil.

Km^2
Square kilometre, equal to 247.1 acres.

Lead
A potential petroleum trap which has been identified but has not been adequately defined for drilling.

Listing Rules
The official Listing Rules of ASX.

m
Metre.

MMCF
Millions of cubic feet.

Operator
The member of an exploration joint venture of two or more exploration companies which has been appointed to carry out all operations on behalf of the parties.

Permeability
The degree to which fluids such as oil, gas and water can move through the pore spaces of a reservoir rock.

Petroleum
General term for all phases of naturally-occurring hydrocarbons.

Prospect (petroleum)
A geological or geophysical anomaly that has been surveyed and defined, usually by seismic data, to the degree that its configuration is fairly well established, and on which further exploration such as drilling can be recommended.

Glossary of terms (continued)

PSC
Production Sharing Contract (PSC) grants the holder exploration and production rights over an area.

Reserves
Quantities of economically recoverable petroleum estimated to be present within a trap, classified as proven, probable or possible.

Reservoir
A subsurface volume of rock of sufficient porosity and permeability to permit the accumulation of crude oil and natural gas under adequate trap conditions.

Seismic survey
A type of geophysical survey where the travel times of artificially created shock waves are measured as they are reflected in a near-vertical sense back to the surface from subsurface boundaries. The data are typically used to determine the depths to the tops of stratigraphic units and in making subsurface structure contour maps and ultimately in delineating prospective structures.

Seismic (2D)
A seismic survey made up of widely spaced lines of data.

Seismic reprocessing
The use of the latest computer processing technology to improve the quality of older seismic data.

UK
United Kingdom.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

The directors present their report together with the financial report of Global Petroleum Limited ("the Company" or "Global Petroleum") and of the consolidated entity, being the Company and its controlled entities, for the financial year ended 30 June 2006 and the auditor's report thereon.

Directors

The directors of Global Petroleum Limited at any time during or since the end of the financial year are:

Dr John Armstrong PhD, BSc (1st Hons) Geo.
Age – 62
Executive Chairman

Dr Armstrong joined Global Petroleum in May 2002 as executive chairman of the Company. Dr Armstrong has had a 35 year career in the upstream oil and gas industry. Prior to joining Global Petroleum he was a general manager of Santos and before that he was exploration manager for UNOCAL's Indonesian operations. He has a successful track record of finding and developing oil and gas fields. Dr Armstrong played an important role in growing Santos from a small local gas company to a company with operations throughout Australia and internationally.

Dr Armstrong was Chairman of directors of Falkland Oil and Gas Limited since it listed on the Alternative Investment Market of the London Stock Exchange (AIM) in October 2004. On 22 December 2005 he retired as Chairman to focus on the activities of the Company. Dr Armstrong remains a director of Falkland Oil and Gas Limited.

Mr Peter Blakey BSc CEng
Age – 65
Non-Executive Director

Mr Peter Taylor, BSc CEng
Age – 59
Non-Executive Director

Mr Blakey and Mr Taylor are joint chairmen of TM Services Ltd, an international oil and gas consulting company. In 1991, they were founding members and directors of TM Oil Production Ltd, which is now Dana Petroleum Plc, a London listed oil and gas company and one of the UK's leading independents. They were also founding members and directors of Consort Resources Ltd, which has become a significant North Sea gas production company, and of Planet Oil which was merged with Hardman Resources in 1998.

Mr Blakey was a director of Grove Energy Limited between June 2002 and February 2004. Mr Taylor was a director of Pursuit Dynamics Plc between April 2001 and May 2004. Both Mr Blakey and Mr Taylor were appointed directors of Tower Resources Plc in January 2006.

Mr Blakey and Mr Taylor were appointed directors of the Company on 4 October 2001.

Mr Mark Savage B.Bus
Age – 49
Independent Non-Executive Director

Mr Savage was born and educated in the United States of America where he received a business degree from the University of Colorado and was a senior executive for a number of US banks before he joined an Australian based merchant bank. Mr Savage has experience in debt and equity markets as well as in the corporate advisory area. He holds directorships with two Australian listed companies: Central Asia Gold Limited since April 2000 and Stirling Resources Limited since April 2004. He was a director of M Health Limited from July 2002 until September 2003.

Mr Savage was appointed a director of the Company on 23 November 1999.

DIRECTORS' REPORT (continued)

Directors (continued)

Mr Peter Dighton LLB
Age – 45
Non-Executive Director

Mr Dighton, principal of Law Strategies Pty Ltd, is a qualified lawyer and an expert in the planning, structuring and documentation of major energy projects and transactions. He has undertaken projects in Australia, Papua New Guinea, Indonesia, India, Europe and the Middle East on behalf of oil majors, listed companies and government owned corporations.

Mr Dighton has been a director of Falkland Oil and Gas Limited since it listed on AIM in October 2004.

Mr Dighton was appointed a director of the Company on 23 December 2003.

Company secretary

Mr Des Olling FCIS, Dip Comm Law was appointed to the position of company secretary in August 2004. Mr Olling has over 30 years experience as a company secretary including 12 years with a listed company in the oil and gas industry.

Directors' meetings

The number of directors' meetings held during the year ended 30 June 2006 and the numbers of meetings attended by each director are set out in the table below. Given the size of the Company there were no committees of directors in existence during the year.

Director	Meetings held whilst in office	Number of meetings attended
J D Armstrong	7	7
P Blakey	7	6
P F Dighton	7	7
M S Savage	7	7
P Taylor	7	6

Corporate governance statement

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council ("ASX CGC") recommendations, unless otherwise stated.

<u>Board of Directors</u>

Role of the board

The board's role is to guide and monitor the business affairs of the Company on behalf of the shareholders to whom it is accountable. It fulfils this role through, for example, the development of strategic plans which are appropriate to the Company and monitoring of the actual performance against these plans; the monitoring of financial parameters to ensure the Company has appropriate funds to carry out its strategic plans in the desired time frame; working with and regularly reviewing the performance of the executive chairman, to whom it has delegated responsibility for the operation and administration of the Company; and by regular communication with shareholders and with other stakeholders in the Company as and when required.

The board's Charter which provides details of the board's role is available on the Company's website at www.globalpetroleum.com.au or www.global-petroleum.co.uk.

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

Board of Directors (continued)

Board processes

Due to the present size of the Company the board does not believe it is appropriate to establish nomination, audit or remuneration committees. The board as a whole carries out the roles of these committees and recommendations from the board are carried out by management through the executive chairman. The board has established policies for a Code of Conduct, Risk Management, Board and Executive Chairman Evaluation, Continuous Disclosure and Share Trading for directors and officers. These policies can be found on the Company's website.

Directors carry out annual reviews of the effectiveness of the board aimed at confirming that the board is fulfilling its role as set out in the Code of Conduct and whether directors see whether any improvements could be made in the way the board operates. Each director is also asked to self evaluate his own performance and undertake to improve in any areas that he considers requires improvement.

An annual review of the performance of the executive chairman is also undertaken. The review, which is undertaken by a director and the company secretary, measures his performance against his position description when appointed to the role. Directors are asked to comment and appraise the performance.

The full board held formal meetings seven times during the year as the table on page 8 indicates. Since two of the directors reside in the United Kingdom, one in the United States of America and two directors and the company secretary in Australia, meetings are mostly held by telephone conference. The chief accountant also attends board meetings. However directors are in constant contact with each other between board meetings on an informal basis.

The agenda for meetings is prepared by the executive chairman and the company secretary and directors request items be placed on the agenda when appropriate. Standing items include reports on corporate matters, cash and accounting and a review of each project.

The Company has in place an informal process of induction for any new director which includes information on the nature of the Company's business, current industry issues, the board's strategy and expectations concerning the performance of directors.

Independent professional advice and access to company information

Individual directors have the right, in connection with their duties and responsibilities as directors, of access to all relevant Company information and to the Company's executives. Directors may also seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to directors' rights and duties, the engagement of an outside adviser is subject to prior approval of the executive chairman which will not be unreasonably withheld.

Composition of the board

The names of the directors of the Company in office at the date of this report are set out on pages 7 and 8 of this report. The board comprises the executive chairman, three non-executive directors and one independent non-executive director. All directors have an extensive knowledge of the oil and gas industry. The Company's Constitution provides that the Company may have a maximum of 10 directors with a minimum of three. Each of the current directors (except the executive chairman) must be subject to re-election by shareholders at the annual general meeting every three years.

The ASX CGC recommends that a majority of the board be independent directors. The board has only one independent director but considers that in its current stage of development an extensive knowledge of the industry by directors in which the Company operates is more important. The backgrounds of each director can be found at the commencement of the directors' report. The board has taken its definition of "independent" from the ASX "Guidance Note 9" of the Listing Rules. The board will keep this issue under review as the Company grows and expands in the future. The same comment is true regarding the ASX CGC recommendations 2.2 (chairman should be an independent director) and 2.3 (the roles of the chairman and chief executive officer should be separate).

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

Remuneration report

Principles of compensation – audited

Remuneration is referred to as compensation throughout this report.

Key management personnel have the authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity, including directors. Dr Armstrong, executive chairman, and the company secretary, Mr Olling, are the only highly remunerated S300A executives for the Company and the consolidated entity.

Compensation levels for Dr Armstrong and Mr Olling are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The board of directors, in the absence of a remuneration committee, obtains independent advice on the appropriateness of compensation packages of the Company and consolidated group, given trends in comparative companies both locally and internationally.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and to effect the broader outcome of achieving the Company's operational objectives. Compensation packages may include a mix of fixed compensation and equity-based compensation.

In addition to the compensation received, the consolidated entity also provides non-cash benefits and contributes to defined contribution superannuation funds for the two above named personnel.

Fixed compensation – audited

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Compensation levels are reviewed by the board in the absence of a remuneration committee through a process that considers individual, segment and overall performance of the consolidated entity and upon the advice of external consultants when considered necessary.

Performance-linked remuneration – audited

To date, based on the present size and early stage of development of the Company, the practice has been adopted of not paying bonuses.

A total of 20,000,000 incentive share options have been granted to the executive chairman Dr Armstrong and 250,000 to director Mr Dighton. Dr Armstrong was granted 10,000,000 options on 22 November 2002, exercisable at $0.25 at any time before the expiry date of 30 June 2007. On 9 May 2006 Dr Armstrong exercised 2,000,000 of these options. On 2 June 2004 he was issued a further 10,000,000 options exercisable at $0.25 upon the Company entering into a certain production sharing agreement in Iraq. These options were granted on 25 November 2004 but do not vest until the Company enters into the production sharing agreement in Iraq. The expiry date of these options is 30 June 2008.

The 250,000 options granted to Mr Dighton were issued on 23 December 2003 and are exercisable at $0.25 at any time prior to the expiry date of 31 December 2008. These options vested on the date of grant on 25 November 2004. The remaining 8,000,000 options granted to Dr Armstrong and the 250,000 options granted to Mr Dighton are not subject to any performance hurdles because directors did not consider it appropriate to set such hurdles at the time the options were issued. For more details see "Unissued shares under option" on page 24.

The Company is still in its early stage of development and has not yet declared a net profit nor dividend for the benefit of shareholders. The incentive share options granted to Dr Armstrong and Mr Dighton were granted to provide the appropriate incentive to position the Company beyond this development stage to a stage where the Company's portfolio of projects would provide an income stream from its oil and gas assets. The board, in the absence of a remuneration committee, believes that such incentives are reasonable in the circumstances.

Short-term incentive – audited

The Company does not have any short-term incentive programs.

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

<u>Remuneration report (continued)</u>

Long-term incentive – audited

The 10 million options issued to Dr Armstrong on 2 June 2004 and conditional upon the Company entering into a certain production sharing agreement in Iraq, and the 250,000 options granted to Mr Dighton are considered to be long-term incentives at 30 June 2006.

Short-term and long-term incentive structure – audited

The Company does not have any short-term incentive programs in place. The Company's long-term incentive program is designed to provide incentive over the longer term.

Consequences of performance on shareholders' wealth – audited

In the Company's present early stages of development and strategy it has not yet generated any earnings nor paid a dividend to shareholders.

However, an analysis of the Company's share price and capitalisation over the last four years (below) shows above-average growth in shareholders' wealth. The Company's capitalisation has increased by 568% over this period. This increase in shareholder wealth is a reflection of the market's valuation of the Company's projects in Kenya and Malta and its shareholding in FOGL.

Date	**Share price**		**Capitalisation**
	ASX A¢/share	**AIM £p/share**	**A$ million**
30 June 2003	14.0	-	16.0
30 June 2004	22.0	-	37.0
30 June 2005	47.5	20.5	80.9
30 June 2006	62.0	25.0	106.8

Service agreements – audited

The Company has entered into a service agreement with the executive chairman, Dr Armstrong, which provides for the payment of benefits if the agreement is terminated by the Company within a certain period from the date of the agreement. In such case the Company must pay to the executive chairman a sum equal to six months' worth of his remuneration at the rate then pertaining at the time of his termination. Refer Note 19 to the consolidated financial statements.

The Company has also entered into contractor agreements with Mr D Olling (company secretary) and Mr J Bruce (resources consultant) neither of which provide for the payment of benefits if the agreements are terminated by the Company.

Non-executive directors – audited

Total compensation for non-executive directors last voted by shareholders at the 2004 AGM is not to exceed $200,000. The four non-executive directors each receive directors' fees of $45,000 pa which total $180,000 pa. Two of the non-executive directors, Mr Blakey and Mr Taylor and/or their related parties hold shares in the Company either as a result of being vendor shares which are outlined in the Company's prospectus dated 31 May 2002 and the supplementary prospectus, from the acquisition of Astral Petroleum Limited (refer Note 24 to the consolidated financial statements), or from a rights issue made by the Company in September 2004. Mr Dighton sold all his shares in the Company in June 2006 but holds options over the ordinary shares of the Company which are described in the Remuneration report. Mr Savage holds no shares or options in the Company.

The board has no retirement scheme in place. Directors who retire from the board of directors are not entitled to any retirement payment.

Executive director – audited

The executive chairman does not receive a director's fee but is paid in accordance with a service agreement. He also holds shares and options in the Company, the details of which are described elsewhere in the Remuneration report.

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

Remuneration report (continued)

Directors' and executive officers' remuneration – audited

Details of the nature and amount of each major element of remuneration of each director of the Company and the two named Company executives are:

		Short-term [1]			Post-employment	Shared-based payments	
		Salary & fees	Non-monetary benefits	Total	Superannuation benefits	Options and rights [2]	Total
Directors		**$**	**$**	**$**	**$**	**$**	**$**
Non-executive							
Mr P Blakey	2006	45,000	-		-	-	45,000
	2005	22,500	-		-	-	22,500
Mr P Dighton	2006	45,000	-		4,050	-	49,050
	2005	22,500	-		2,025	87,450	111,975
Mr M Savage	2006	45,000	-		-	-	45,000
	2005	22,500	-		-	-	22,500
Mr P Taylor	2006	45,000	-		-	-	45,000
	2005	22,500	-		-	-	22,500
Executive							
Dr J Armstrong [3]	2006	250,000	38,186		77,000	-	365,186
(executive chairman)	2005	200,000	45,589		18,000	-	263,589
Total all directors	**2006**	**430,000**	**38,186**	**468,186**	**81,050**	**-**	**549,236**
	2005	**290,000**	**45,589**	**335,589**	**20,025**	**87,450**	**443,064**
Executives							
Mr D Olling [3]	2006	90,249	3,000		-	-	93,249
(company secretary)	2005	99,894	794		-	-	100,688
Total compensation: key management personnel	**2006**	**520,249**	**41,186**	**561,435**	**81,050**	**-**	**642,485**
(consolidated & Company)	**2005**	**389,894**	**46,383**	**436,277**	**20,025**	**87,450**	**543,752**

Notes in relation to the table of directors' and executive officers' remuneration – audited

[1] There was no short term cash bonus paid during the year.
[2] No options were granted during the year.
[3] Dr Armstrong and Mr Olling are the only key management persons as defined under AASB 124.

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

Remuneration report (continued)

Directors' and executive officers' remuneration – audited (continued)

The Company does not have a separate remuneration committee. Directors believe that the present size of the Company does not warrant the establishment of such a committee. The Company also does not have a redundancy scheme and any executive who is made redundant is entitled a termination payment in accordance with employment contracts and legal requirements.

Refer to Note 19 to the consolidated financial statements for details on the financial impact in future periods resulting from firm commitments arising from non-cancellable contracts for services with key management personnel.

Equity instruments

All options refer to options over ordinary shares of Global Petroleum Limited which are exercisable on a one-for-one basis.

Options and rights over equity instruments granted as compensation – audited

There were no options over ordinary shares in the Company that were granted as compensation to any key management personnel during the reporting period and no options were vested during the reporting period. In the previous year options were granted as compensation to Dr Armstrong (executive chairman) and Mr Dighton (director) as follows:

Directors	Number of options granted during 2005	Grant date	Number of options vested during 2005	Fair value of options at grant date $	Exercise price per option $	Expiry date
Dr J Armstrong	10,000,000	25 Nov 2004	-	-	0.25	30 June 2008
Mr P Dighton	250,000	25 Nov 2004	250,000	87,450	0.25	31 Dec 2008

No options have been granted since the end of the financial year.

Modification of terms of equity-settled share-based payment transactions – audited

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as compensation – audited

During the reporting period, the following shares were issued on the exercise of options previously granted as compensation.

2006	Number of shares	Amount paid per share
Dr J Armstrong, executive chairman	2,000,000	$0.25
2005		
-	-	-

There were no amounts unpaid on the shares issued as a result of the exercise of the options in 2006. There were no shares issued during the previous year on the exercise of options previously granted as compensation.

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

Remuneration report (continued)

Analysis of options and rights over equity instruments granted as compensation – unaudited

Details of vesting profile of the options granted as remuneration to each director of the Company is detailed below. No options have been granted to Mr Olling, the named Company executive and relevant group executive.

	Options granted					Value yet to vest	
Directors	**Number**	**Date**	**% vested in year**	**Forfeited in year**	**Financial years in which grant vests**	**Min**	**Max**
Dr J Armstrong	10,000,000	22 Nov 2002	-	-	1 July 2002	-	-
Dr J Armstrong	10,000,000	25 Nov 2004	-	-	(1)	-	-
Mr P Dighton	250,000	25 Nov 2004	-	-	1 July 2004	-	-

(1) Vesting date not known as it is subject to the Company entering into certain production sharing agreements in Iraq, including satisfaction of conditions precedent.

Options granted to Dr Armstrong on 22 November 2002 have an expiration date of 30 June 2007. Options granted to Mr Dighton on 25 November 2004 have an expiration date of 31 December 2008. In both cases the exercise price is $0.25 per share. No minimum or maximum value can be estimated for future financial years.

Dr Armstrong may only exercise his options granted on 25 November 2004 subject to the Company entering into certain production sharing agreements, including satisfaction of conditions precedent. The expiry date of these options is 30 June 2008. Mr Dighton may exercise his options at any time prior to the exercise date. The issue of the options required approval by the Company's shareholders. The options issued to both Dr Armstrong and Mr Dighton during 2004 received shareholder approval at the Annual General Meeting in November 2004, and were therefore granted in the 2005 financial year. The options were issued at no cost to the recipients.

Analysis of movement in options – unaudited

The movement during the reporting period by value of options over ordinary shares in the Company held by each Company director is detailed below. Mr Olling, the named Company executive and relevant group executive, has not been granted options over the ordinary shares in the Company.

	Value of options			
	Granted in year $ (A)	**Exercised in year $ (B)**	**Forfeited in year $ (C)**	**Total option value in year $**
Dr J Armstrong	-	980,000	-	980,000

(A) There were no options granted during the year.
(B) The value of options exercised during the year is calculated as the market price of shares of the Company on the Australian Stock Exchange as at the close of trading on the date the options were exercised after deducting the price paid to exercise the options.
(C) There were no options forfeited during the year.

Risk Management

The board oversees the establishment, implementation and annual review of the Company's risk management system and to this end has adopted a risk management policy to protect the assets and undertaking of the Company.

The policy was reviewed in accordance with the board's practice of reviewing the policy annually and was carried out by the executive chairman and company secretary on the basis of the two relevant risk categories of "financial" and "operational". The review, the results of which were approved by the board, confirmed that the principles of both categories were still being adhered to. The risk management policies with respect to both categories will continue to be managed by the board as a whole working closely with the executive chairman and chief accountant.

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

Risk Management (continued)

With respect to the first category, the financial statements and other financial reporting and internal compliance and controls were found to be operating efficiently and effectively. The review of the second category, "operational", highlighted that the policy concerning new exploration projects was still relevant. This policy provides that the board must analyse the risks and consider appropriate strategies and take appropriate advice when thought prudent. The board acknowledges that the main material risk of the Company is that of not finding commercially recoverable oil and gas to provide cash flow for the Company with the ultimate intent of returning a profit to shareholders.

The board considers that absolute compliance with the detailed provisions of the Australian Standard on Risk Management AS/NZ4360 would not be a responsible use of the Company's limited resources, but requires management to have regard to the general principles of the Australian Standard in managing the Company's risk.

Financial reporting

Having regard to the Company's size and the board's approach to risk management the executive chairman, acting in the capacity of chief executive officer and the chief accountant acting in the capacity of chief financial officer, have assured the board in writing that the financial reporting, risk management and internal compliance and controls have been assessed as above and found to be operating efficiently and effectively.

Actual financial results are prepared regularly and compared with budgets approved by the board.

During the financial year ended 30 June 2006 the Company has reported in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). Details of the impact of transition to AIFRS are included in Note 26 to the financial statements.

Environmental regulation

The Company is subject to the applicable environmental regulations in the countries in which it has operations.

Internal audit

Due to its present size and stage of development the Company does not consider that an internal audit department is warranted. The board through the executive chairman relies on system controls in place in the Company.

Ethical standards

Directors, managers and employees are expected to act with the utmost integrity in carrying out their respective roles within the Company.

Code of conduct for directors

A Board Charter incorporating a Code of Conduct for directors has been adopted by the board and deals with a number of matters including the following:

1) Fiduciary duty to the Company. Directors must act honestly and in the interests of the board and of the Company and in the utmost good faith.

2) Disclose all relevant information on matters under consideration by the board. Directors must not profit or advance their personal interests from their position as a director.

3) Directors must keep the board advised on an ongoing basis of any interest that could potentially conflict with those of the Company. A conflict of interest exists when the personal or financial interests of a director are perceived to conflict with the director's duty to the board or Company. The code provides that when in doubt the director will adopt a cautious approach and assume that there is a conflict and act accordingly. Directors should not vote on any matter at a board meeting if they have, or it is perceived that they have, a conflict of interest.

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

<u>Risk Management (continued)</u>

Code of conduct for directors (continued)

4) Directors must at all times exercise a reasonable degree of care and diligence in the performance of their duties.

5) The executive chairman shall be the spokesperson for the Company whenever public comment is required.

6) Minutes, board papers and other information of the Company received by the directors and, in particular, papers and material forwarded to them for the purposes of board determination shall remain confidential to that director.

7) Any breach of the code by a director is to be advised in writing to the executive chairman.

Share trading policy

The policy is intended to apply to directors, executive chairman, company secretary, chief accountant and all other officers or employees who may have access to market sensitive information about the Company that has not been released to the market.

The key elements of the policy are:

- The Company must disclose to the ASX and to the AIM when a director or related entities of the director has traded in the Company's securities.
- Trading in the Company's securities by any of the above listed officers is prohibited during any period when the designated officer is aware of market sensitive information in relation to the Company's securities that has not been released to the market. Trading is also prohibited during any "closed" period in accordance with the AIM Rules.
- When trading is permitted, intended trading by designated officers is to be disclosed to the executive chairman prior to the transactions taking place. Directors are not to trade in the Company's securities at any time without first advising the chairman of the board of their intention to do so.
- In the case of the executive chairman, he must not trade in the Company's securities at any time without first advising the remainder of the board of his intention to do so.
- All designated officers must subsequently advise details to the company secretary once the intended trading has occurred.
- The company secretary is to report any trading by designated officers to the board at its next meeting after the trading has been reported to the company secretary together with the steps, if any, to be taken with respect to disclosure of the trading, in accordance with the ASX Listing Rules, the AIM Rules, the Corporations Act or any other relevant requirements.

<u>Communication with shareholders</u>

A Continuous Disclosure policy has been developed and adopted by the board and reflects the practices of the board and management. The Company complies with its obligations of continuous disclosure under the ASX Listing Rules and the AIM Rules which require listed companies to disclose to the market information which a reasonable person would expect to have a material effect on the price or value of its securities. Matters disclosed to the market are also posted to the Company's website in accordance with the policy.

The main features of the policy are:

- The board is responsible for determining what information is disclosed to the market and whether any such information is material for the purposes of the ASX Listing Rules and the AIM Rules. It also considers whether an exemption applies from disclosure.
- The executive chairman and company secretary are responsible for notifying the board immediately they become aware of any information which they think might reasonably require disclosure under the ASX Listing Rules or the AIM Rules, or which the board ought to consider for such disclosure.
- The executive chairman and the company secretary are responsible for all communications with the ASX and AIM.

DIRECTORS' REPORT (continued)

Corporate governance statement (continued)

Communication with shareholders (continued)

In addition to the policy of disclosure the Company also communicates with shareholders in its quarterly reports, half-yearly financial reports, annual financial reports and at the annual general meetings where both the financial and operational aspects are conveyed to shareholders. Shareholders may also elect to access the annual financial report and notices of shareholder meetings from the Company's website. Other important updates are reported when necessary from time to time and this information is also posted to the Company's website.

At the annual general meetings the board encourages questions from shareholders so that they are aware of the Company's progress in attaining its strategies and goals. They are asked to vote on the election of directors, the granting of options and shares to directors, changes to the Constitution, related party issues and on a resolution to adopt the Remuneration report.

The external auditor has attended the annual general meetings of the Company since it was re-listed in November 2002 and has been available to answer questions on matters relating to the audit generally, accounting policies, preparation and content of the auditor's report and the independence of the auditor in relation to the conduct of the audit.

Principal activities

The principal activities of the Company during the course of the financial year were:

- A continuing 20% interest in two production sharing contracts related to blocks L-5 and L-7 in offshore Kenya. The Company withdrew from L-10 and L-11 in Kenya during the year.

- An 80% interest in the Malta Exploration Study Agreement after farminee agreed to enter for an initial 20% interest in Blocks 4 and 5 in offshore Malta.

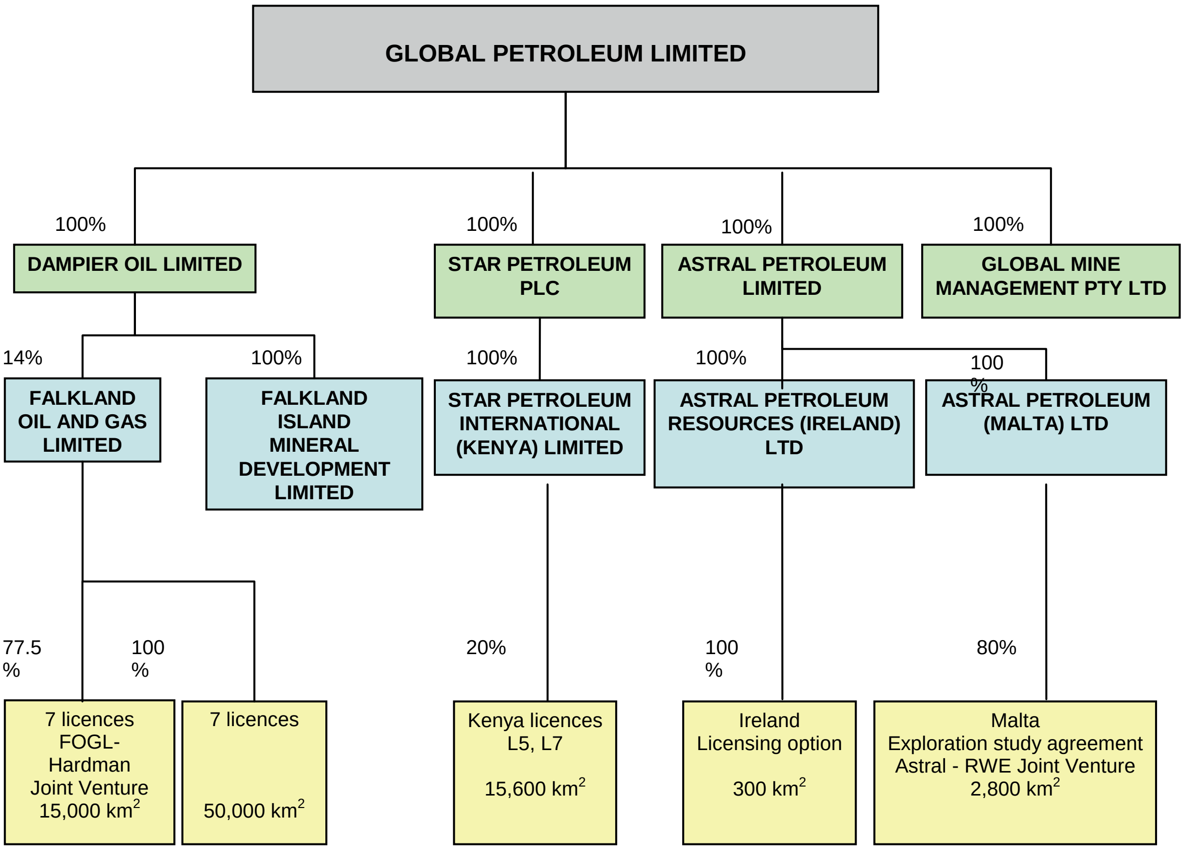
- Ireland Licensing Option held 100% in four blocks in the North Celtic Sea Basin. Reprocessing work program and marketing program to target potential farminees.

- An investment of 14% in Falkland Oil and Gas Limited which holds a 77.5% interest in seven offshore petroleum licences covering approximately 15,000 km^2 and 100% interest in a further seven licences covering approximately 50,000 km^2 in offshore Falkland Islands.

- An investment of 10% in Falkland Gold and Minerals Limited was sold in December 2005.

DIRECTORS' REPORT (continued)

Group structure



Review and results of operations

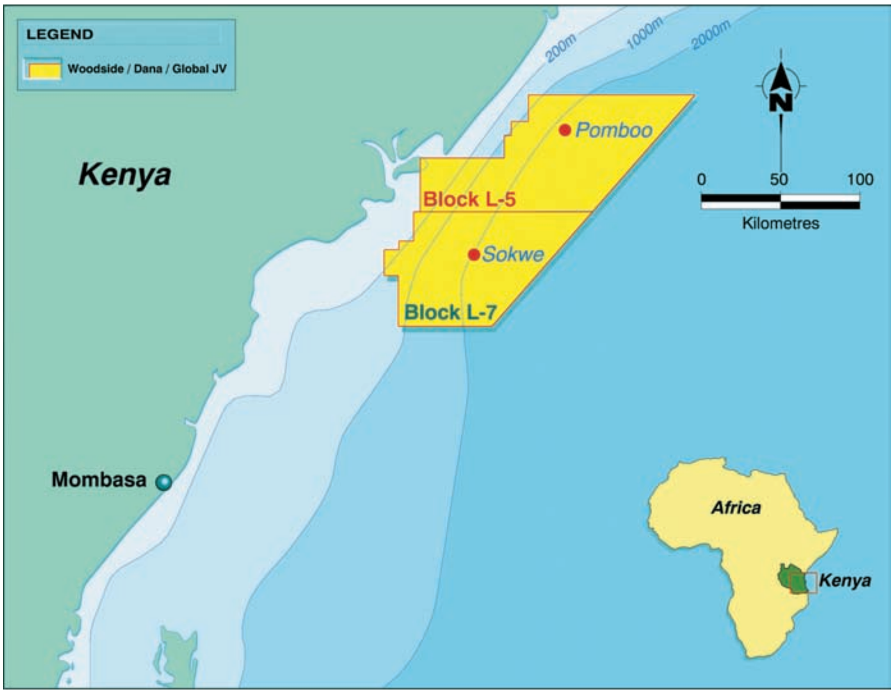
Consolidated loss after tax attributable to the members of the Company for the year ended 30 June 2006 was $957,307 (2005: $1,629,162).

DIRECTORS' REPORT (continued)

Review and results of operations (continued)

Kenya

The Company holds 20% in two blocks (L-5 and L-7) offshore Kenya together with Woodside Energy (30% and operator), Dana Petroleum (30%) and Repsol Exploracion SA (20%). On 24 August 2006 the Company announced that Woodside had farmed out a 20% interest to Repsol effective from 1 May 2006.



The Company withdrew from L-10 and L-11 in October 2005 following Woodside's withdrawal from L-11 in the previous month. Woodside had withdrawn from L-10 in August 2004. In Block L-10 Dana Petroleum, as operator after Woodside's withdrawal, was unable to reach agreement on terms for a work program with the Kenyan Government for an extension to the Block and so both remaining parties decided to withdraw. In Block L-11 the Company and Dana withdrew after deciding that the Block was not as prospective as either of L5 or L7.

Following interpretation of a total of 9,100 km of 2D seismic recorded during two surveys (5,500 km in 2003 and 3,600 km between November 2004 and January 2005) it is clear that L-5 and L-7 contain some 50 prospects and leads from which the Joint Venture has selected its prospects for drilling.

The Company announced on 16 March 2006 that Woodside had secured a drilling rig and that it would drill the first well in L-5, probably on the Pomboo prospect. The search for a deep water rig had been ongoing since May 2005 and the time taken to secure the rig reflected strong demand for this type of rig brought about by the increased worldwide demand for oil.

On 4 May 2006 Woodside elected to drill its second well, likely to be drilled on the Sokwe prospect in L-7 before June 2008. However the JV has the option of drilling the second well immediately after the first or subsequently when the results of the first well are assessed. The first well is scheduled for October 2006 in L-5 on Pomboo.

DIRECTORS' REPORT (continued)

Review and results of operations (continued)

Malta

The Company has 80% and RWE Dea has 20% interest in Blocks 4 and 5 in offshore Malta. The Exploration Study Agreement ("ESA") expires 31 December 2006 after having been extended by the Malta Government.

The Company announced on 23 June 2006 that German international oil and gas company RWE Dea AG had agreed to farm-in to Blocks 4 and 5 for an initial 20% equity which will increase to 70% if RWE decides, prior to the expiry of the ESA on 31 December this year, to commit to the drilling of a well and enter into a Production Sharing Agreement. If RWE decides to drill a well, Global Petroleum would retain 30% equity including 3% on behalf of a UK marketing agency that assisted Global Petroleum in the farm-in process. Global Petroleum is fully carried through the seismic and drilling programs including the abandonment of the well but excluding drill stem testing of the well. RWE plans to undertake seismic studies in the second half of 2006 at its own cost.

Pictured is the seismic vessel "Resolution".

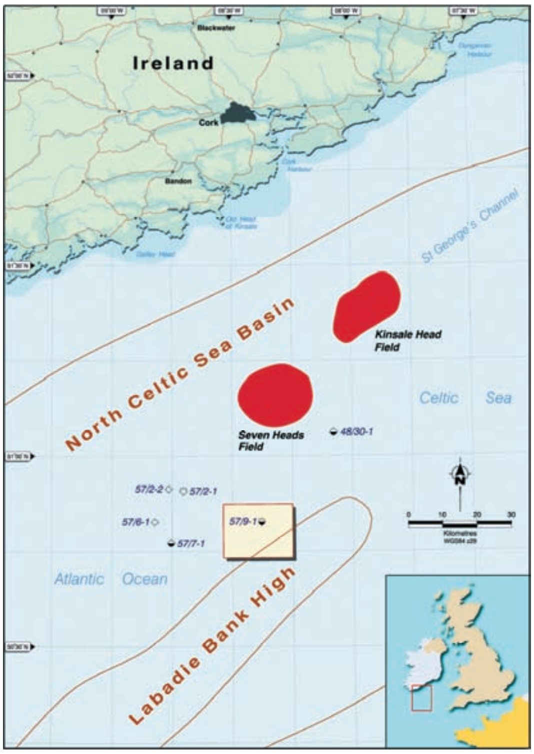
RWE Dea is an international oil and gas producer and explorer and is part of the RWE Group, one of Europe's largest companies. It is active in exploration and production as operator and non-operating partner in Germany, the UK, Norway, Denmark, Egypt, Dubai and Kazakhstan, and holds exploration licences in Algeria, Libya and Poland.

On the basis of the farm-in the Malta government extended the ESA by six months to 31 December 2006 to allow the seismic project to proceed.

DIRECTORS' REPORT (continued)

Review and results of operations (continued)

Ireland



The Company has 100% interest in parts of blocks 57/3, 57/4, 57/8 and 57/9 in the North Celtic Sea Basin, offshore Ireland.

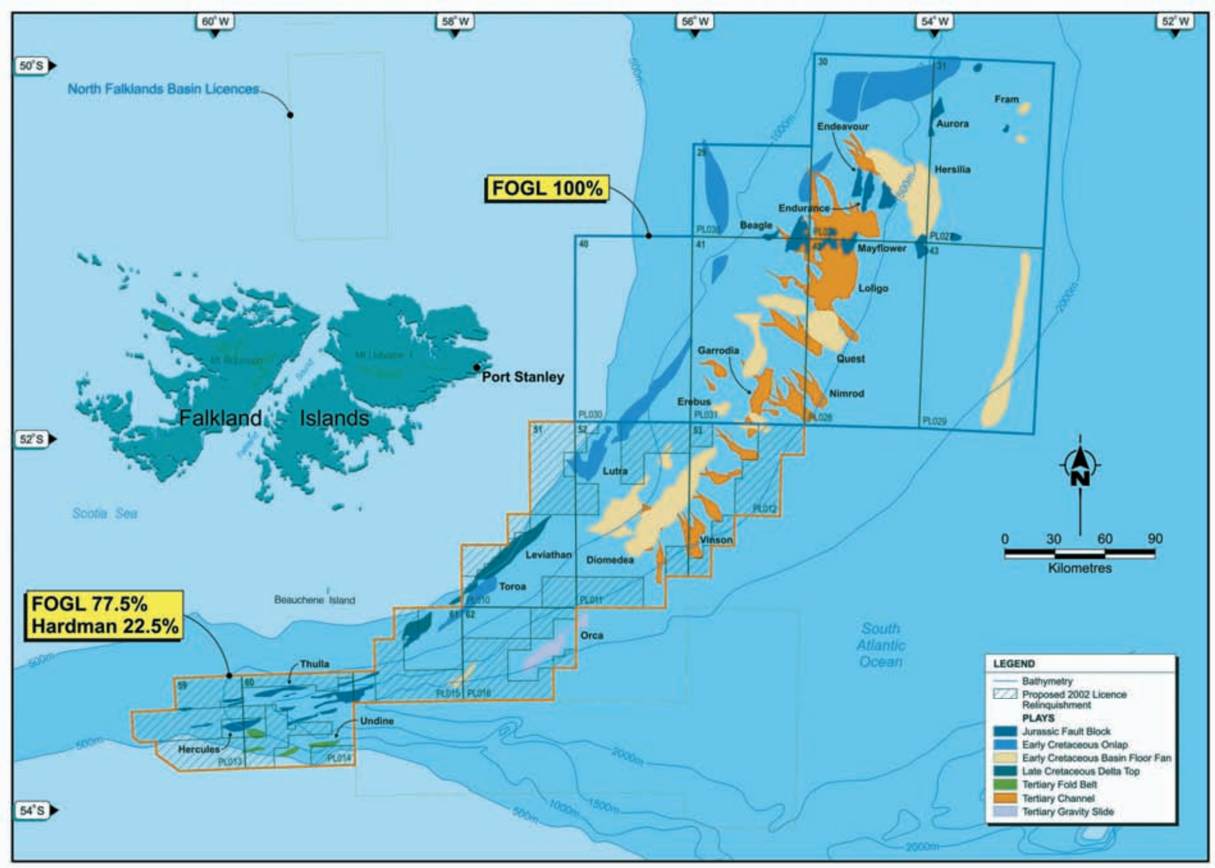
The Irish Minister for Communications, Marine and Natural Resources granted the Irish Licensing Option to Astral (Ireland) on 5 September 2003. The option has been extended until 31 December 2006.

During the year the Company completed a technical program involving reprocessing of 200 km of 1982 seismic data over the main Tramore prospect which has Jurassic and Lower Cretaceous targets. The 1984 well drilled in Block 57/9 was a Cretaceous oil and gas discovery flowing gas at the rate of 2.6 MMCF/day and recovering oil at the rate of 16 bbls/day from separate Cretaceous sandstone reservoirs.

A marketing campaign to introduce a new company to the project is in progress.

FOGL

The Company holds 14% of the issued capital of FOGL. FOGL has an average 90% holding in 65,000 km^2 of prospective offshore licences to the East and South of the Falkland Islands. Relinquishments totalling 14,000 km^2 were made from the southern licences during the year.



DIRECTORS' REPORT (continued)

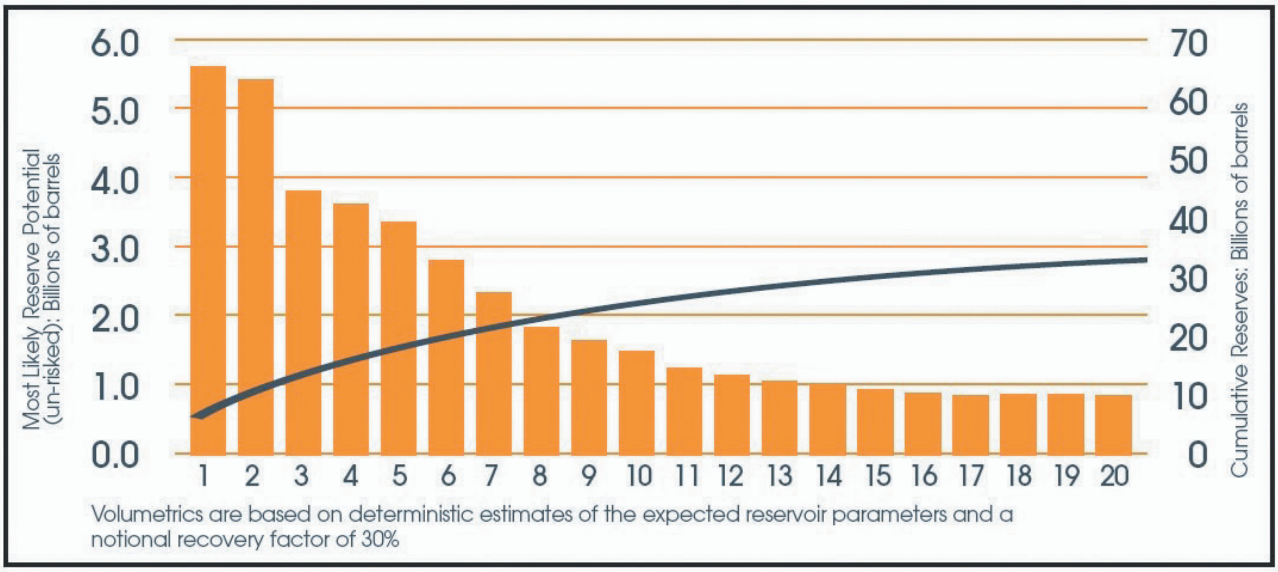
Review and results of operations (continued)

FOGL (continued)

At the end of May 2006 a total of 22,450 km of 2D seismic has been recorded in two surveys. Progress has been made in the mapping and identification of prospects and leads where over 100 have been identified. FOGL says that at least 10 leads have the potential to hold more than one billion barrels of oil and a further 20 prospects and leads each have the potential to contain reserves of between 500 million and one billion barrels. The farmout process continues with the objective of FOGL securing partners with appropriate financial capability and deepwater experience. However, FOGL is also seeking a drilling rig in its own right so that drilling can commence in 2008. Options include seeking a farminee that has access to a rig, rig owners that could participate directly or sharing the rig with other Falkland oil companies operating in the Falkland Islands.

The 2006/07 work program is designed to define multiple prospects so that they may be prioritised for drilling in 2008. The work program will consist of Controlled Source and Electromagnetic surveys (CSEM), 2D seismic and seabed coring. The CSEM defines resistive anomalies in the subsurface and is a direct indicator of the presence of hydrocarbons. Water depths for the identified prospects range from 500 to 1500 metres.

FOGL's top 20 prospects and leads – ranked in order of size



DIRECTORS' REPORT (continued)

Review and results of operations (continued)

Astral assets

The two assets acquired from the purchase of all the shares in Astral Petroleum Limited (Astral) in December 2004 were the Malta Exploration Study Agreement and the Irish Licensing Option. The Company paid ₤195,000 (A$504,322) plus one million fully paid ordinary shares in the Company at an issue price of A$0.37. The vendors of Astral included directors and substantial shareholders of the Company Mr Blakey and Mr Taylor together with a company associated with both of them. At the date of acquisition, the vendors of Astral also included an entity which was a related party of Mr Savage who is a director of the Company. This entity ceased to be a related party of Mr Savage subsequent to the acquisition.

Shareholders approved the issue of an additional four million fully paid ordinary shares in the Company in regards to the Malta Exploration Study Agreement and a further four million fully paid ordinary shares (ie a total of eight million shares) in regards to the Irish Licensing Option, if each were to be farmed out on certain terms and conditions by 25 November 2005. This date was extended at the 2005 AGM by shareholders to 30 June 2006. Directors, excluding Messrs Blakey and Taylor who declared an interest in the matter, agreed that the farmout of the Malta Exploration Study Agreement to RWE Dea in June 2006 qualified for the issue of the additional four million shares, provided RWE Dea commits to the drilling of a well before the expiry date of the Malta Exploration Study Agreement ie, 31 December 2006, or any further extension thereof. No farmout has been achieved for the Irish Licensing Option and therefore the potential for the issue of four million shares in regard to this project has lapsed.

FGML

On 19 December 2005 the Company announced that it had sold its 10.1% shareholding in FGML at 10 pence/share for A$1.83 million, realising a gain on disposal of A$1.09 million.

Other

The Company will continue to seek projects which fit its strategy of leveraging value in projects and which deliver value to shareholders.

Significant changes in the state of affairs

The consolidated entity's total assets increased during the current financial year by $33,156,499 to $60,240,429 (2005: $27,083,930), principally due to a change in accounting policy regarding the measurement of the consolidated entity's investment in Falkland Oil and Gas Limited (FOGL). With effect from 1 July 2005, the consolidated entity adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. The adoption of AASB 139 has resulted in the consolidated entity recognising available-for-sale investments as assets at fair value. Under previous GAAP, the consolidated entity recorded available-for-sale investments at cost. The increase in the carrying value of the consolidated entity's investment in FOGL from the previous financial year is approximately $33.4 million. Refer to Notes 11 and 27 to the consolidated financial statements.

Dividends

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2006.

Events subsequent to reporting date

On 24 August 2006 the Company announced that Repsol Exploracion S.A. (a wholly-owned subsidiary of Spanish based company Repsol YPF) has joined the Kenya joint venture which will drill two offshore wells in the last quarter of this calendar year, one each in Blocks L-5 and L-7. Holdings in the L-5 and L-7 joint venture are now: Woodside Energy 30% (and operator); Dana Petroleum 30%; Repsol Exploracion 20%; and Global Petroleum 20%.

Other than the matters discussed above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' REPORT (continued)

Likely developments

The consolidated entity will continue to investigate opportunities to add projects to its portfolio which fit its strategy.

Directors' interests

The relevant interest of each director in the shares and rights and options over such instruments issued by the companies within the consolidated entity and other related bodies corporate, as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Interest in securities at the date of this report	
	Ordinary shares [(1)]	**Options**
Dr J D Armstrong	266,667	18,000,000 [(2)]
Mr P Blakey	28,924,318	-
Mr P Dighton	- [(3)]	250,000 [(4)]
Mr P Taylor	28,924,318	-
Mr M Savage	-	-

[(1)] Ordinary shares means fully paid ordinary shares in the capital of the Company.
[(2)] 8 million incentive options exercisable at 25 cents on or before 30 June 2007 and otherwise with the terms contained in the Company's Prospectus dated 31 May 2002. A further 10 million options exercisable at 25 cents on or before 30 June 2008 and subject to the grant of a production sharing agreement in Iraq to Global Petroleum.
[(3)] Mr Peter Dighton sold 26,667 shares on 28 June 2006.
[(4)] Incentive options to subscribe for one ordinary share exercisable at 25 cents on or before 31 December 2008.

Share options

Unissued shares under option

There were no options issued to any director or any officer of the Company during or since the end of the financial year.

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 June 2007	$0.25	8,100,000
30 June 2008	$0.25	10,000,000
31 December 2008	$0.25	250,000
		18,350,000

All options expire on their expiry date, such that they can be exercised after termination as an employee or director of the Company.

Shares issued on exercise of options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there were no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
2,500,000	$0.25

DIRECTORS' REPORT (continued)

Indemnification and insurance of officers and auditors

Indemnification

To the extent permitted by law the Company indemnifies every person who is, or has been, a director or secretary, and may, by deed, indemnify or agree to indemnify a person who is, or has been, an officer of the Company or a subsidiary of the Company, against:

a) a liability incurred by that person, in his or her capacity as such a director, secretary or officer, to another person provided that liability is not an Excluded Liability (as defined by the Company's Constitution); or a liability for legal costs and expenses; and

b) legal costs and expenses (other than Excluded Legal Costs, as defined by the Company's Constitution) incurred by that person in defending proceedings for a liability incurred by that person in his or her capacity as such a director, secretary or officer.

To the extent permitted by law, the Company may make a payment to a person who is a director or secretary for the legal costs and expenses incurred by that person in defending proceedings for a liability incurred by that person in his or her capacity as a director or secretary provided that the legal costs and expenses are not Excluded Legal Costs (as defined by the Company's Constitution) at the time the payment is made; and the person is obliged to repay the legal costs and expenses to the extent that they become Excluded Legal Costs.

Insurance premiums

Since the end of the previous financial year no insurance premiums were paid by the Company to insure directors and officers of the Company.

Non-audit services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and the board is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise the auditor independence requirements of the Corporations Act 2001, for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the board to ensure they do not impact the integrity and objectivity of the auditor; and

- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1 *Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out in Note 4 to the consolidated financial statements included on page 43 of the consolidated financial report.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 26 and forms part of the directors' report for the financial year ended 30 June 2006.

Signed in accordance with a resolution of directors.

J D Armstrong
Director
Brisbane
13 September 2006

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Global Petroleum Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Kpmg

KPMG

Robert S. Jones

Robert S Jones
Partner
Brisbane
13 September 2006

INCOME STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Global Petroleum	
		2006	2005	2006	2005
		$	$	$	$
Revenue					
Rendering of services	2	63,555	424,681	-	-
Other income					
Gains on disposal – available-for-sale investments		1,093,589	-	-	-
Expenses					
Salaries and employee benefits expense		(466,797)	(444,000)	(446,222)	(265,848)
Consulting and professional fees		(483,079)	(862,751)	(504,098)	(742,816)
Shareholder costs		(143,311)	(172,011)	(88,615)	(126,429)
Occupancy costs		(32,107)	(46,283)	(22,571)	(12,124)
Depreciation expense	2, 3	(20,603)	(58,251)	(12,697)	(13,940)
Administrative and other expenses		(161,986)	(235,409)	(151,059)	(148,713)
Exploration and evaluation expenditure written off	2	(1,166,216)	(404,851)	(323,241)	(274,815)
Losses on disposal – exploration assets		-	(81,768)	-	(166,585)
Losses on disposal – non-current assets		-	(14,678)	-	(355)
Write-down of investment in controlled entity		-	-	(842,975)	(613,234)
Results from operating activities		(1,316,955)	(1,895,321)	(2,391,478)	(2,364,859)
Financial income – interest income		339,178	347,527	338,808	353,570
Financial income – dividends from controlled entities		-	-	-	652,793
Net foreign exchange gain / (loss)		20,470	1,103	(504)	(986)
Net financing income		359,648	348,630	338,304	1,005,377
Share of losses of associates		-	(82,471)	-	-
Loss before tax		(957,307)	(1,629,162)	(2,053,174)	(1,359,482)
Income tax expense	5	-	-	-	-
Loss for the period attributable to equity holders of the parent	2	(957,307)	(1,629,162)	(2,053,174)	(1,359,482)

		Cents	Cents
Basic and diluted loss per share	6	(0.56)	(0.99)

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 32 to 60.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

Consolidated	Note	Share capital $	Fair value reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2005		34,436,135	-	48,455	(7,711,002)	26,773,588
Effect of change in accounting policy	27	-	39,188,153	-	-	39,188,153
Balance at 1 July 2005 – restated		34,436,135	39,188,153	48,455	(7,711,002)	65,961,741
Change in fair value – available-for-sale investments		-	(423,652)	-	-	(423,652)
Fair value – available-for-sale investments transferred to profit/loss on disposal		-	(5,352,938)	-	-	(5,352,938)
Foreign exchange translation differences		-	-	(1,301)	-	(1,301)
Total non-profit items recognised directly in equity		34,436,135	33,411,563	47,154	(7,711,002)	60,183,850
Loss for the period		-	-	-	(957,307)	(957,307)
Total recognised income and expense for the period		34,436,135	33,411,563	47,154	(8,668,309)	59,226,543
Exercise of options	17	625,000	-	-	-	625,000
Share issue expenses	17	(4,451)	-	-	-	(4,451)
Balance at 30 June 2006	17	35,056,684	33,411,563	47,154	(8,668,309)	59,847,092

Consolidated	Note	Share capital $	Fair value reserve $	Foreign currency translation reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2004		28,538,657	-	44,981	(6,081,840)	22,501,798
Foreign exchange translation differences		-	-	3,474	-	3,474
Total non-profit items recognised directly in equity		28,538,657	-	48,455	(6,081,840)	22,505,272
Loss for the period		-	-	-	(1,629,162)	(1,629,162)
Total recognised income and expense for the period		28,538,657	-	48,455	(7,711,002)	20,876,110
Issue of share capital		5,906,518	-	-	-	5,906,518
Exercise of options		125,000	-	-	-	125,000
Share issue expenses		(134,040)	-	-	-	(134,040)
Balance at 30 June 2005	17	34,436,135	-	48,455	(7,711,002)	26,773,588

Amounts are stated net of tax

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 32 to 60.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006
(CONTINUED)

Global Petroleum	**Note**	**Share capital**	**Accumulated losses**	**Total equity**
		$	**$**	**$**
Balance at 1 July 2005		34,436,135	(6,898,756)	27,537,379
Loss for the period		-	(2,053,174)	(2,053,174)
Total recognised income and expense for the period		34,436,135	(8,951,930)	25,484,205
Exercise of options	17	625,000	-	625,000
Share issue expenses	17	(4,451)	-	(4,451)
Balance at 30 June 2006	17	35,056,684	(8,951,930)	26,104,754

Global Petroleum				
Balance at 1 July 2004		28,538,657	(5,539,274)	22,999,383
Loss for the period		-	(1,359,482)	(1,359,482)
Total recognised income and expense for the period		28,538,657	(6,898,756)	21,639,901
Issue of share capital		5,906,518	-	5,906,518
Exercise of options		125,000	-	125,000
Share issue expenses		(134,040)	-	(134,040)
Balance at 30 June 2005	17	34,436,135	(6,898,756)	27,537,379

Amounts are stated net of tax

The statements of changes in equity are to be read in conjunction with the notes to the financial statements set out on pages 32 to 60.

BALANCE SHEETS
AS AT 30 JUNE 2006

	Note	Consolidated		Global Petroleum	
		2006	2005	2006	2005
		$	$	$	$
Current assets					
Cash and cash equivalents	7	6,991,006	6,159,540	6,981,564	6,135,310
Trade and other receivables	8	258,166	213,340	57,859	77,700
Other financial assets	9	600	600	600	600
Other assets	10	-	72,710	-	19,837
Total current assets		7,249,772	6,446,190	7,040,023	6,233,447
Non-current assets					
Receivables	8	-	-	1,484,817	2,769,662
Investments	11	35,173,534	2,495,798	17,782,879	18,625,854
Property, plant and equipment	12	42,034	73,897	40,271	69,594
Exploration and evaluation expenditure	13	17,775,089	18,068,045	113,687	113,687
Total non-current assets		52,990,657	20,637,740	19,421,654	21,578,797
TOTAL ASSETS	2	60,240,429	27,083,930	26,461,677	27,812,244
Current liabilities					
Trade and other payables	14	380,940	303,247	283,266	206,510
Employee benefits	15	12,397	7,095	12,397	7,095
Total current liabilities		393,337	310,342	295,663	213,605
Non-current liabilities					
Payables	14	-	-	61,260	61,260
Total non-current liabilities		-	-	61,260	61,260
TOTAL LIABILITIES	2	393,337	310,342	356,923	274,865
NET ASSETS		59,847,092	26,773,588	26,104,754	27,537,379
Equity					
Issued capital	17	35,056,684	34,436,135	35,056,684	34,436,135
Reserves	17	33,458,717	48,455	-	-
Accumulated losses		(8,668,309)	(7,711,002)	(8,951,930)	(6,898,756)
TOTAL EQUITY	26	59,847,092	26,773,588	26,104,754	27,537,379

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 32 to 60.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	Consolidated		Global Petroleum	
		2006	2005	2006	2005
		$	$	$	$
Cash flows from operating activities					
Cash paid to suppliers and employees		(1,163,137)	(1,293,623)	(1,114,875)	(861,758)
Interest received		384,973	330,522	384,603	336,565
Dividends received from controlled entities		-	-	-	652,793
Management fees received		192,226	359,165	-	-
Net cash from operating activities	23	(585,938)	(603,936)	(730,272)	127,600
Cash flows from investing activities					
Acquisition of property, plant and equipment		(4,836)	(42,420)	(4,836)	(35,579)
Exploration expenditure, including overheads capitalised		(1,025,725)	(592,201)	(315,870)	(176,715)
Proceeds from disposal of exploration assets		-	850,745	-	-
Proceeds from disposal of investments		1,827,416	-	-	-
Acquisition of subsidiaries		-	(721,178)	-	(721,178)
Acquisition of investments		-	(1,183,369)	-	-
Proceeds from other financial assets		-	60,886	-	-
Repayment of loans from controlled entities		-	-	2,037,962	599,053
Advances to controlled entities		-	-	(761,279)	(2,018,616)
Net cash from investing activities		796,855	(1,627,537)	955,977	(2,353,035)
Cash flows from financing activities					
Proceeds from the issue of share capital		625,000	5,661,518	625,000	5,661,518
Share issue expenses		(4,451)	(134,040)	(4,451)	(134,040)
Costs of admission to the Alternative Investment Market of the London Stock Exchange		-	(446,724)	-	(446,724)
Net cash from financing activities		620,549	5,080,754	620,549	5,080,754
Net increase in cash and cash equivalents		831,466	2,849,281	846,254	2,855,319
Cash acquired on acquisition of subsidiaries		-	21,126	-	-
Cash and cash equivalents at 1 July		6,159,540	3,289,133	6,135,310	3,279,991
Cash and cash equivalents at 30 June	7	6,991,006	6,159,540	6,981,564	6,135,310

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 32 to 60.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

Global Petroleum Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company for the year ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interest in associates and jointly controlled entities.

The financial report was authorised for issue by the directors on 13 September 2006.

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of AASBs adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish from previous Australian GAAP. The financial reports of the consolidated entity and the Company also comply with IFRS and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS and IFRS, and AASB 1 *First-Time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied. An explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is provided in Note 26.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The consolidated entity has not elected to early adopt any accounting standards under AIFRS as at transition date. The consolidated entity has elected to early adopt IFRS 6 *Exploration for and Evaluation of Mineral Resources* with effect from 1 July 2005 under IFRS.

Certain accounting standards and amendments have been issued and are available for early adoption at reporting date. However, they have not been early adopted as they are not applicable to the Company and the consolidated entity and have no impact on their financial results.

The financial report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as available-for-sale.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS, except for the adoption of AASB 132 *Financial Instruments: Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement*. The Company and the consolidated entity have applied the AASB 1.36A exemption and elected not to apply AASB 132 and AASB 139 to the comparative period. A description of opening balances impacted by AASB 132 and AASB 139 at 1 July 2005 has been provided in Note 27.

The accounting policies have been applied consistently by all entities in the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement.

Jointly controlled operations and assets

The interest of the Company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the "Investment in associates" and "Share of associates' net profit/loss" accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency (continued)

currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Australian dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released into the income statement upon disposal.

In respect of all foreign operations, any differences that have arisen after 1 July 2004, the date of transition to AIFRS, are presented as a separate component of equity.

(e) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
(ii) activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

When an area of interest is abandoned or the directors decide that it is not commercial, any capitalised costs in respect of that area are written off in the financial period the decision is made.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (j)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

The consolidated entity performs an impairment test on capitalised exploration and evaluation costs if there is an impairment indicator such as:

- the right to explore has expired during the period or will expire in the near future and is not expected to be renewed
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned
- exploration and evaluation in the specific area has not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area
- sufficient data exists to indicate that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale even if development in the specific area is likely to proceed.

In the event of impairment, write-downs to the income statement are made. Any subsequent increments are also recognised in the income statement to the extent that it is a reversal of the previous write-down.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Exploration and evaluation expenditure (continued)

Once the technical feasibility and commercial viability of the extraction of oil and gas reserves in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to development assets within property, plant and equipment.

(f) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (j)). The cost of acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases. Lease payments are accounted for as described in accounting policy (o).

Subsequent costs

The consolidated entity recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line or reducing balance basis over the estimated useful lives of each part of an item of property, plant and equipment. The depreciation rates used for each class of asset in the current and comparative periods are as follows:

	2006	**2005**
Plant and equipment		
- reducing balance method of depreciation	11.25% to 40%	11.25% to 40%
- straight line method of depreciation	40%	40%

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

(g) Investments

Investments in debt and equity securities

Current accounting policy

Financial instruments held by the consolidated entity classified as being available-for-sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement.

The fair value of financial instruments classified as available-for-sale is their quoted bid price at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments (continued)

Financial instruments classified as available-for-sale investments are recognised / derecognised by the consolidated entity on the date it commits to purchase / sell the investments.

Comparative period policy
Investments in other listed entities are measured at the lower of cost and recoverable amount.

The quantitative effect of the change in accounting policy is set out in Note 27.

(h) Trade and other receivables

Current accounting policy

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (j)).

Comparative period policy

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Impairment

Current accounting policy

The carrying amounts of the consolidated entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Impairment (continued)

tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Comparative period policy

The carrying amounts of non-current financial assets valued on the cost basis were reviewed to determine whether they were in excess of their recoverable amount at reporting date. If the carrying amount of a non-current financial asset exceeded its recoverable amount (i.e. was not considered probable of recovery), the financial asset was written down to the lower amount. The write-down was expensed in the reporting period in which it occurred.

Where a group of assets working together supported the generation of cash inflows, recoverable amount was assessed in relation to that group of assets.

In assessing recoverable amounts of non-current financial assets, the relevant cash flows were not discounted to their present value, except where specifically stated.

Impairment losses were reversed through the profit and loss but only to extent of original cost.

(k) Share capital – transaction costs

Current accounting policy

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Comparative period policy

Transaction costs arising on the issue of equity instruments were recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(l) Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date, including related on-costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Employee benefits (continued)

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

Share-based payment transactions

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market-related conditions.

Options granted after 7 November 2002 that vested before 1 January 2005 have not been recognised on transition to AIFRS, as permitted by AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards.*

(m) Trade and other payables

Current accounting policy

Trade and other payables are stated at their amortised cost.

Comparative period policy

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

(n) Revenue, net financing income and other income

Rendering of services

Revenue from management services is recognised in the income statement in line with the management agreements and contracts.

Net financing income

Net financing income comprises interest receivable on funds invested, dividend income and foreign exchange gains and losses. Interest income is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. In the case of distributions from controlled entities recognised by the parent entity, this date is when dividends are declared by the controlled entities.

Other income – Disposal of non-current assets

The proceeds of non-current asset sales are recognised at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(o) Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax

Income tax on the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit/loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation

The Company is the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly owned subsidiaries. The implementation date of the tax consolidations system for the tax-consolidated group was 1 July 2003.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses are assumed by the head entity from the subsidiaries in the tax-consolidated group. The assumption of current tax liabilities (or assets) and deferred tax assets arising from unused tax losses has been undertaken in the context that the head entity in conjunction with other members of the tax-consolidated group has not, as yet, entered into any tax funding agreement. Therefore, to the extent any amount is recognised in the Company's financial statements, they are recognised by the Company as an equity contribution to or distribution from the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

(q) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goods and services tax (continued)

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

2. SEGMENT REPORTING

Segment information is presented in respect of the consolidated entity's geographical segments. The primary format, geographical segments, is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographical segments

The consolidated entity's geographical segments are as follows:

2006	Australia $	Europe $	Africa $	Falkland Islands $	Iraq $	Indonesia $	Eliminations $	Consolidated $
Segment revenue								
External revenue	-	-	-	63,555	-	-	-	63,555
Total revenue								**63,555**
Result								
Segment result	(632,626)	(300,777)	(1,068,502)	1,099,458	(54,860)	-	-	(957,307)
Income tax expense								-
Loss for the period								**(957,307)**
Depreciation	15,238	-	-	5,365	-	-	-	20,603
Other non-cash expenses/(credit)	5,302	-	-	-	-	-	-	5,302
Exploration and evaluation expenditure written off	23,018	19,836	1,068,502	-	54,860	-	-	1,166,216
Assets								
Segment assets	8,568,387	1,890,388	16,092,081	35,174,391	-	-	(1,484,818)	**60,240,429**
Liabilities								
Segment liabilities	301,663	1,037,248	217,655	321,589	-	-	(1,484,818)	**393,337**
Acquisitions of non-current assets, including capitalised exploration and evaluation expenditure	55,867	465,422	329,974	-	54,860	-	-	906,123

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. SEGMENT REPORTING (continued)

Geographical segments (continued)

2005	Australia $	Europe $	Africa $	Falkland Islands $	Iraq $	Indonesia $	Eliminations $	Consolidated $
Segment revenue								
External revenue	-	-	-	424,681	-	-	-	424,681
Total revenue								**424,681**
Result								
Segment result	(643,802)	(759,647)	-	(115,807)	(80,564)	(29,342)	-	(1,629,162)
Income tax expense								-
Loss for the period								**(1,629,162)**
Depreciation	18,372	-	-	39,879	-	-	-	58,251
Other non-cash expenses/(credit)	(41,706)	-	-	-	-	-	-	(41,706)
Exploration and evaluation expenditure written off	164,909	130,036	-	-	80,564	29,342	-	404,851
Assets								
Segment assets	7,561,100	1,298,128	16,830,608	2,632,611	-	-	(1,238,517)	**27,083,930**
Liabilities								
Segment liabilities	228,226	912,358	111,687	1,847,251	-	-	(2,789,180)	**310,342**
Acquisitions of non-current assets, including capitalised exploration and evaluation expenditure	57,429	1,363,998	107,870	465,288	32,520	25,030	-	2,052,135

Business segments

The consolidated entity operates within one business segment, being the petroleum and mineral exploration industry. Accordingly, the consolidated entity's total revenue and loss for the period relate to that business segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. EXPENSES, GAINS/LOSSES AND SIGNIFICANT ITEMS FROM OPERATING ACTIVITIES

	Note	Consolidated 2006 $	Consolidated 2005 $	Global Petroleum 2006 $	Global Petroleum 2005 $
Depreciation of plant and equipment	12	36,699	68,113	34,159	62,179
Less: depreciation capitalised or oncharged to controlled entities		(16,096)	(9,862)	(21,462)	(48,239)
		20,603	58,251	12,697	13,940
Operating lease rental expense		3,657	11,657	3,657	11,657
Costs of admission to the Alternative Investment Market of the London Stock Exchange		-	446,724	-	446,724

4. AUDITORS' REMUNERATION

	Consolidated 2006 $	Consolidated 2005 $	Global Petroleum 2006 $	Global Petroleum 2005 $
Audit services:				
Auditors of the Company, KPMG Australia				
– audit and review of financial reports	48,194	37,807	44,194	32,807
Other auditors				
– audit and review of financial reports	9,754	11,804	-	-
	57,948	49,611	44,194	32,807
Other services:				
Auditors of the Company, KPMG Australia				
– taxation services: corporate structure advice	-	50,000	-	50,000
– taxation services: other	15,300	27,508	13,300	23,508
– AIM admission Investigating Accountant's Report	-	97,327	-	97,327
– Independent Expert's Report (Astral Petroleum Ltd)	22,000	40,000	22,000	40,000
– other services *	-	22,750	-	22,750
Other auditors	4,278	2,141	-	-
	41,578	239,726	35,300	233,585
	99,526	289,337	79,494	266,392

* Other services include providing accounting and financial reporting advice, due diligence services and employee placement fees.

KPMG are the auditors of the consolidated entity and the Company for the year ended 30 June 2006. In addition, other auditors performed audit services for certain controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. INCOME TAX EXPENSE

Numerical reconciliation between tax expense and pre-tax net loss

	Consolidated		Global Petroleum	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Loss before tax	(957,307)	(1,629,162)	(2,053,174)	(1,359,482)
Income tax using the domestic corporation tax rate of 30% (2005: 30%)	(287,192)	(488,748)	(615,952)	(407,844)
Increase/(decrease) in income tax expense due to:				
Exploration and evaluation expenditure written-off	349,865	121,455	96,972	82,445
Write-down of investment	-	-	252,893	183,970
Net loss/(gain) on disposal of exploration assets	-	24,530	-	49,976
Net loss/(gain) on disposal of investments	(328,077)	-	-	-
Non-assessable dividends	-	-	-	(195,838)
Share of associates' net losses	-	24,741	-	-
Other items	(193,055)	(48,916)	(186,229)	(51,448)
Tax losses not brought to account	458,459	366,938	452,316	338,739
Income tax expense on pre-tax net loss	-	-	-	-

6. LOSS PER SHARE

	Consolidated	
	2006	**2005**
	Cents	**Cents**
Basic and diluted loss per share	(0.56)	(0.99)
	2006	**2005**
	$	**$**
Loss used in the calculation of basic and diluted loss per share	(957,307)	(1,629,162)
	2006	**2005**
	Number	**Number**
Issued ordinary shares at 1 July	169,794,787	131,384,666
Effect of shares issued September 2004	-	32,025,646
Effect of shares issued December 2004	-	536,986
Effect of shares issued April 2005	-	98,630
Effect of shares issued September 2005	389,041	-
Effect of shares issued May 2006	284,932	-
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	170,468,760	164,045,928

Options to purchase ordinary shares not exercised at 30 June 2006 have not been included in the determination of basic loss per share and diluted loss per share as they are not dilutive. Details regarding these options are set out in Note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. CASH AND CASH EQUIVALENTS

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Bank balances and cash on hand	592,911	203,566	583,469	179,336
Short term deposits	6,398,095	5,955,974	6,398,095	5,955,974
Cash and cash equivalents	6,991,006	6,159,540	6,981,564	6,135,310

8. TRADE AND OTHER RECEIVABLES

	Note	Consolidated		Global Petroleum	
		2006	2005	2006	2005
		$	$	$	$
Current					
Other debtors		223,467	213,340	35,737	77,700
Prepayments		34,699	-	22,122	-
		258,166	213,340	57,859	77,700
Non-current					
Advance to controlled entity – secured by a fixed and floating charge on the assets of Dampier Oil Ltd	24	-	-	-	146,594
Amounts receivable from controlled entities – unsecured	24	-	-	1,484,817	2,623,068
		-	-	1,484,817	2,769,662

9. OTHER FINANCIAL ASSETS

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Deposits	600	600	600	600

10. OTHER ASSETS

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Prepayments	-	72,710	-	19,837

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. INVESTMENTS

	Note	Consolidated 2006 $	Consolidated 2005 $	Global Petroleum 2006 $	Global Petroleum 2005 $
Listed equity securities available-for-sale					
– at fair value		35,173,534	-	-	-
– at cost		-	2,495,798	-	-
Investments in controlled entities					
– at cost	21	-	-	2,016,802	2,016,802
– at recoverable amount	21	-	-	15,766,077	16,609,052
		35,173,534	2,495,798	17,782,879	18,625,854

Investments in listed equity securities available-for-sale at cost at 30 June 2005 represented investments in Falkland Gold and Minerals Limited ("FGML") and Falkland Oil and Gas Limited ("FOGL"). Under previous GAAP, the consolidated entity recorded available-for-sale investments at cost. In accordance with AIFRS these investments have been recognised at fair value (current market value) with effect from 1 July 2005. See Note 27 for further details of this change in accounting policy.

The consolidated entity disposed of its investment in FGML in December 2005 for net proceeds of $1,827,416 and recorded a net gain on disposal of $1,093,589.

The Company recognised an impairment loss amounting to $842,975 in respect of investments in controlled entities at recoverable amount during the current financial year (2005: $613,234) owing to the disposal of or exit from exploration and evaluation assets.

12. PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated 2006 $	Consolidated 2005 $	Global Petroleum 2006 $	Global Petroleum 2005 $
Plant and equipment, including motor vehicles					
Cost					
Balance at 1 July		237,799	251,989	230,955	218,795
Acquisitions		4,836	42,420	4,836	35,579
Disposals		-	(56,610)	-	(23,419)
Balance at 30 June		242,635	237,799	235,791	230,955
Depreciation					
Balance at 1 July		163,902	137,671	161,361	122,196
Depreciation for the year	3	36,699	68,113	34,159	62,179
Disposals		-	(41,882)	-	(23,014)
Balance at 30 June		200,601	163,902	195,520	161,361
Carrying amounts					
At 1 July		73,897	114,318	69,594	96,599
At 30 June		42,034	73,897	40,271	69,594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Cost				
Balance at 1 July	18,068,045	17,785,374	113,687	424,244
Expenditure incurred	873,260	1,620,035	-	130,843
Disposals	-	(932,513)	-	(166,585)
Expenditure written off	(1,166,216)	(404,851)	-	(274,815)
Balance at 30 June	17,775,089	18,068,045	113,687	113,687

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

14. TRADE AND OTHER PAYABLES

	Note	Consolidated		Global Petroleum	
		2006	2005	2006	2005
		$	$	$	$
Current					
Trade payables		172,585	58,648	172,585	58,332
Other payables and accrued expenses		208,355	244,599	110,681	148,178
		380,940	303,247	283,266	206,510
Non-current					
Amounts payable to controlled entity – unsecured	24	-	-	61,260	61,260

15. EMPLOYEE BENEFITS

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Liability for employee benefits	12,397	7,095	12,397	7,095

Defined contribution superannuation funds

The consolidated entity makes contributions to defined contribution superannuation funds. The amount recognised as expense was $95,696 for the year ended 30 June 2006 (2005: $37,811).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Temporary differences	(426,903)	(229,442)	(426,603)	(231,974)
Tax losses	493,259	1,423,246	426,603	959,351
	66,356	1,193,804	-	727,377

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits.

17. CAPITAL AND RESERVES

Share capital

Movements in shares on issue during the year were as follows:

		Global Petroleum		
Date	Details	Number of ordinary shares	Issue price	
			$	$
1 July 2005	Opening balance	169,794,787		34,436,135
19 September 2005	Allotment upon exercise of options	500,000	0.25	125,000
9 May 2006	Allotment upon exercise of options	2,000,000	0.25	500,000
	Share issue expenses			(4,451)
30 June 2006	Closing balance – fully paid	172,294,787		35,056,684
1 July 2004	Opening balance	131,384,666		28,538,657
28 September 2004	Rights issue	36,910,121	0.15	5,536,518
16 December 2004	Shares issued on acquisition of controlled entity	1,000,000	0.37	370,000
19 April 2005	Allotment upon exercise of options	500,000	0.25	125,000
	Share issue expenses			(134,040)
30 June 2005	Closing balance – fully paid	169,794,787		34,436,135

Effective 1 July 1998, the Company Law Review Act abolished the concept of par value shares and the concept of authorised capital. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. CAPITAL AND RESERVES (continued)

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Dividends

No dividends have been declared, provided for or paid in respect of the years ended 30 June 2006 or 2005. In respect to the payment of dividends by Global Petroleum in subsequent reporting periods (if any), no franking credits are currently available, or are likely to become available in the next 12 months.

Share-based payments

Share options have previously been issued over ordinary shares of the Company to employees, including directors, and other parties. The options were issued as an incentive and approved by shareholders in general meeting. The number of options granted were determined at the discretion of the board having due regard to the relevant skills and expertise of each individual. Directors' options are individually approved by shareholders in general meeting. The options currently on issue are unlisted and were issued for nil consideration. Options granted carry no dividend or voting rights and when exercised each option is converted into one ordinary share.

All options (except for 10 million options granted to Dr J Armstrong expiring 30 June 2008) were granted after 7 November 2002 and vested before 1 January 2005. The recognition and measurement principles in AASB 2 have not been applied to these grants in accordance with the transitional provisions in AASB 1. No new options were granted in this financial period. Amounts receivable on the exercise of options are recognised as share capital. All options are settled by physical delivery of shares.

Information with respect to the number of options outstanding as at balance date is as follows:

Consolidated and Global Petroleum – for the year ended 30 June 2006

Grant date	Expiry date	Exercise price	Balance at 1 July Number	Granted during the year Number	Exercised during the year Number	Balance at 30 June Number	Exercisable at 30 June Number
30 Oct 2003	31 Dec 2005	$0.25	500,000	-	(1) (500,000)	-	-
22 Nov 2002	30 Jun 2007	$0.25	10,100,000	-	(2) (2,000,000)	8,100,000	8,100,000
25 Nov 2004	30 Jun 2008	$0.25	10,000,000	-	-	10,000,000	(4) -
25 Nov 2004	31 Dec 2008	$0.25	250,000	-	-	250,000	250,000
			20,850,000	-	(2,500,000)	18,350,000	8,350,000
Weighted average exercise price			$0.25		$0.25	$0.25	$0.25

Consolidated and Global Petroleum – for the year ended 30 June 2005

Grant date	Expiry date	Exercise price	Balance at 1 July Number	Granted during the year Number	Exercised during the year Number	Balance at 30 June Number	Exercisable at 30 June Number
30 Oct 2003	31 Dec 2005	$0.25	1,000,000	-	(3) (500,000)	500,000	500,000
22 Nov 2002	30 Jun 2007	$0.25	10,100,000	-	-	10,100,000	10,100,000
25 Nov 2004	30 Jun 2008	$0.25	-	10,000,000	-	10,000,000	(4) -
25 Nov 2004	31 Dec 2008	$0.25	-	250,000	-	250,000	250,000
			11,100,000	10,250,000	(500,000)	20,850,000	10,850,000
Weighted average exercise price			$0.25	$0.25	$0.25	$0.25	$0.25

(1) Weighted average share price at date of exercise of options was $0.49.
(2) Weighted average share price at date of exercise of options was $0.74.
(3) Weighted average share price at date of exercise of options was $0.43.
(4) Vesting conditions: Dr J Armstrong may only exercise his 10 million options expiring 30 June 2008 subject to the Company entering into certain production sharing agreements in Iraq, including satisfaction of conditions precedent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. CAPITAL AND RESERVES (continued)

Share-based payments (continued)

The weighted average remaining contractual life of share options outstanding at the end of the year is 1.6 years (2005 – 2.5 years).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the binominal option-pricing model. The contractual life of the option is used as an input into this model. Expectations of early exercise are incorporated into the binominal option-pricing model.

No share options were granted during the year ended 30 June 2006. The fair value of share options at measurement date for the year ended 30 June 2005 was $nil.

Share options are granted under non-market performance conditions. Non-market performance conditions are not taken into account in the grant date fair value measurement of the services received.

18. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's and consolidated entity's business.

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk – effective interest rates and repricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

Consolidated		**2006**			**2005**		
	Note	**Effective interest rate**	**Total**	**6 months or less**	**Effective interest rate**	**Total**	**6 months or less**
Cash and cash equivalents	7	5.6%	6,991,006	6,991,006	5.6%	6,159,540	6,159,540

Global Petroleum		**2006**			**2005**		
	Note	**Effective interest rate**	**Total**	**6 months or less**	**Effective interest rate**	**Total**	**6 months or less**
Cash and cash equivalents	7	5.6%	6,981,564	6,981,564	5.6%	6,135,310	6,135,310
Advance to controlled entity *	8	-	-	-	6.0%	146,594	146,594
			6,981,564	6,981,564		6,281,904	6,281,904

* This asset bears interest at a fixed rate.

Foreign currency risk

The consolidated entity is exposed to foreign currency risk on revenues, purchases, investments and other monetary assets and liabilities that are denominated in a currency other than the Australian dollar (AUD). The currencies giving rise to this risk are primarily British Pounds (GBP) and US Dollars (USD).

The consolidated entity does not presently enter into hedging arrangements to hedge its foreign currency risk. All foreign currency transactions are entered into at spot rates. The board considers this policy appropriate, taking

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. FINANCIAL INSTRUMENTS (continued)
Foreign currency risk (continued)

into account the consolidated entity's size, current stage of development, financial position and the board's approach to risk management.

Fair values

The fair values of the Company's and consolidated entity's financial assets and financial liabilities at 30 June 2006 approximate their carrying amounts.

The fair values of the Company's and consolidated entity's financial assets and financial liabilities at 30 June 2005 approximate their carrying amounts, except for investments in listed equity securities available-for-sale. The fair values of these investments at 30 June 2005 were $41,683,951 and their carrying amounts were $2,495,798. See Note 27 for further details.

19. CAPITAL AND OTHER COMMITMENTS

Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various foreign governments where exploration tenements are held. These obligations are subject to renegotiation when application for a tenement is made and at other times. These obligations are not provided for in the financial report and are payable:

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Within one year	45,000	106,122	-	-

Financial commitments for subsequent periods can only be determined at future dates, as the success or otherwise of exploration programmes determines courses of action allowed under options available in tenements.

Joint venture commitments

Capital commitments of the consolidated entity to joint venture operations:

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Within one year	300,000	-	-	-
One year or later and no later than five years	300,000	-	-	-
	600,000	-	-	-

Non-cancellable operating lease expense commitments

Non-cancellable operating lease rentals are payable as follows:

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Less than one year	1,160	4,640	1,160	4,640
Between one and five years	-	1,160	-	1,160
	1,160	5,800	1,160	5,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

19. CAPITAL AND OTHER COMMITMENTS (continued)

Employee compensation commitments – Key management personnel

Commitments under non-cancellable employment contracts not provided for in the financial statements and payable:

	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	$	$	$	$
Within one year	150,000	150,000	150,000	150,000

20. CONTINGENCIES

Acquisition of Astral Petroleum Limited – contingent consideration

In accordance with the terms of the acquisition agreement (as amended), consideration payable upon the acquisition of Astral Petroleum Limited in December 2004 includes amounts contingent on certain conditions relating to the farmout of the interest acquired by the consolidated entity in the Malta exploration study agreement. In June 2006, the consolidated entity entered a farmout agreement with RWE Dea AG. If RWE Dea AG, during the term of the exploration study agreement, commits to drill one well and enters into a production sharing contract, the Company will be required to issue 4 million fully-paid ordinary shares in the capital of the Company as additional consideration to the Astral vendors (Tranche 3 shares).

Indemnities

Indemnities have been provided to directors and certain executive officers of the Company in respect of liabilities to third parties arising from their positions, except where the liability arises out of conduct involving a lack of good faith. No monetary limit applies to these agreements and there are no known obligations outstanding at 30 June 2006 and 2005.

Guarantees

The consolidated entity and Company have provided bank guarantees totaling $nil (2005: $28,000) in relation to prospecting activities in Queensland, Australia.

Joint ventures

In accordance with normal industry practice the consolidated entity has entered into joint ventures with other parties for the purpose of exploring for and developing petroleum interests. If a party to a joint venture defaults and does not contribute its share of joint venture obligations, then the other joint venture participants may be liable to meet those obligations. In this event the interest in the permit held by the defaulting party may be redistributed to the remaining joint venturers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. CONSOLIDATED ENTITIES

	Country of incorporation	Ownership interest 2006 %	Ownership interest 2005 %
Parent entity			
Global Petroleum Limited			
Subsidiaries			
Star Petroleum Plc	United Kingdom	100	100
Star Petroleum International (Kenya) Limited *	British Virgin Islands	100	100
Dampier Oil Limited	Australia	100	100
Falkland Islands Mineral Development Limited *	Falkland Islands	100	100
Global Mine Management Pty Limited *	Australia	100	100
Astral Petroleum Limited *	United Kingdom	100	100
Astral Petroleum (Malta) Limited *	British Virgin Islands	100	100
Astral Petroleum Resources (Ireland) Limited *	British Virgin Islands	100	100

* No separate audit opinion issued as not required in place of incorporation. The results and state of affairs of the entity has been reviewed in forming the audit opinion on the financial report of the consolidated entity.

In the financial statements of the Company, investments in controlled entities are measured at cost. Refer to Note 11. The Company has no associates or jointly controlled entities.

22. INTERESTS IN JOINT VENTURE OPERATIONS

The Company and consolidated entity hold the following interests in various joint ventures, whose principal activities are in petroleum exploration.

	Joint venture % interest held			
	Consolidated		Global Petroleum	
	2006	2005	2006	2005
	%	%	%	%
Kenya	20	20	-	-
Malta	80	-	-	-
Iraq (TM Services / Global)	50	50	50	50
Iraq (Fira / Global)	-	20	-	20

During 2006 the consolidated entity formed a joint venture with RWE Dea AG which earns a 20% interest in the consolidated entity's Malta exploration study agreement. RWE Dea and the consolidated entity have the option, to be exercised during the term of the exploration study agreement, to enter into a production sharing contract (PSC). The minimum work commitment during the first two year exploration period under this PSC is the drilling of one well. By carrying the consolidated entity's share of the cost of that well on a dry hole basis, RWE Dea will earn an additional 50% in the venture with the consolidated entity retaining 30% (including a 3% interest on behalf a UK marketing agency that assisted the consolidated entity in the farm-in process).

During 2005 the Company formed a joint venture with TM Services Limited, a related party, with the intention of acquiring petroleum interests in Iraq.

See Notes 19 and 20 for details of commitments and contingencies in relation to joint venture operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

23. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	Note	Consolidated		Global Petroleum	
		2006	2005	2006	2005
		$	$	$	$
Cash flows from operating activities					
Loss for the period		(957,307)	(1,629,162)	(2,053,174)	(1,359,482)
Adjustments for items classified as investing/ financing activities:					
(Gain)/loss on disposal of non-current assets		-	14,678	-	355
(Gain)/loss on disposal of exploration assets		-	81,768	-	166,585
(Gain)/loss on disposal of investments		(1,093,589)	-	-	-
Exploration and evaluation expenditure written off		1,166,216	404,851	323,241	274,815
Costs of admission to the Alternative Investment Market of the London Stock Exchange	3	-	446,724	-	446,724
Adjustments for non-cash items:					
Write-down of investment in controlled entity		-	-	842,975	613,234
Write-off of amounts receivable from controlled entities		-	-	21,749	-
Depreciation	3	20,603	58,251	12,697	13,940
Net foreign exchange (gain)/loss		(20,470)	(1,103)	504	986
Share of losses of associates		-	82,471	-	-
Operating (loss)/profit before changes in working capital		(884,547)	(541,522)	(852,008)	157,157
Changes in operating assets and liabilities, net of effects of purchase of controlled entities during the financial year:					
Decrease/(increase) in receivables		142,904	(94,118)	19,841	(21,618)
Decrease/(increase) in prepayments		72,710	23,262	19,837	(5,908)
(Decrease)/increase in payables		77,693	50,148	76,756	39,675
(Decrease)/increase in employee benefits		5,302	(41,706)	5,302	(41,706)
Net cash from operating activities		(585,938)	(603,936)	(730,272)	127,600

Non-cash investing and financing activities

During 2005 the Company issued 1 million shares at $0.37 each for the acquisition of a controlled entity.

24. RELATED PARTIES

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Executive director
Dr J Armstrong (executive chairman)
Non-executive directors
Mr M Savage
Mr P Blakey
Mr P Taylor
Mr P Dighton
Executives
Mr D Olling (company secretary)

The Company entered into Deeds of Indemnity, Insurance and Access with each director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. RELATED PARTIES (continued)

Key management personnel compensation

Key management personnel compensation is as follows:

	Consolidated		Global Petroleum	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Short-term employee benefits	561,435	436,277	561,435	436,277
Post-employment benefits	81,050	20,025	81,050	20,025
Share-based payments	-	87,450	-	87,450
	642,485	543,752	642,485	543,752

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration report section of the directors' report on pages 10 to 14.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Loans to key management personnel and their related parties

There were no loans made to key management personnel or their related parties during the reporting period.

Other key management personnel transactions

A number of directors, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company or its controlled entities in the reporting period. The terms and conditions of these transactions were no more favourable than those available, or which might be available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Mr P Dighton is the principal of Law Strategies Pty Ltd and during the reporting period the consolidated entity engaged this firm to provide advice relating to the operations of the consolidated entity in the normal course of business and on an agreed basis for other specific projects. During the year $90,789 (2005: $128,467) was paid by the consolidated entity and its related parties to Law Strategies Pty Ltd.

During the year the Company paid $17,724 (2005: $17,553) to TM Services Limited, a company controlled by Mr P Taylor and Mr P Blakey, for office usage and administrative assistance.

During 2005 the Company purchased 100% of Astral Petroleum Limited. Mr P Taylor, Mr P Blakey, Mr M Savage and/or their related parties were shareholders of Astral Petroleum Limited at the date of acquisition by the Company. A related party of Mr Savage ceased to be a related party subsequent to the acquisition. Cash consideration paid to these directors and their related parties was $504,322. The total number of shares issued to these directors and their related parties was 763,731 shares at $0.37 each. The total number of contingent shares that may be issued to these directors and their related parties was 6,109,848 shares. The acquisitions were approved by shareholders at the annual general meeting held on 25 November 2004 and the notice of that meeting contained further details regarding the above transaction. The Company received approval at the annual general meeting held on 24 November 2005 for an extension of time for the issue of the contingent consideration payable upon the acquisition of Astral Petroleum Limited – see Note 20 for further details on remaining contingencies as at 30 June 2006.

During 2005 the Company formed a joint venture with TM Services Limited, a company controlled by Mr P Taylor and Mr P Blakey, with the intention of acquiring petroleum interests in Iraq. See Note 22 for further details.

Liabilities arising from the above transactions at 30 June 2006 were $17,797 (2005: $nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. RELATED PARTIES (continued)

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Global Petroleum Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Granted as compensation	Exercised	Held at 30 June 2006	Vested and exercisable at 30 June 2006
Directors					
Dr J Armstrong	20,000,000	-	(2,000,000)	18,000,000	8,000,000
Mr P Dighton	250,000	-	-	250,000	250,000

	Held at 1 July 2004	Granted as compensation	Exercised	Held at 30 June 2005	Vested and exercisable at 30 June 2005
Directors					
Dr J Armstrong	10,000,000	10,000,000	-	20,000,000	10,000,000
Mr P Dighton	-	250,000	-	250,000	250,000

10 million options issued to Dr J Armstrong on 2 June 2004 have an expiration date of 30 June 2008. 250,000 options issued to Mr Dighton on 23 December 2003 have an expiration date of 31 December 2008. In both cases the exercise price is $0.25 per share.

Dr J Armstrong may only exercise his 10 million options issued on 2 June 2004 subject to the Company entering into certain production sharing agreements, including satisfaction of conditions precedent. Mr P Dighton may exercise his options at any time prior to the exercise date. The issue of the options required approval by the Company's shareholders. The options issued to both Dr J Armstrong and Mr P Dighton during the 2004 financial year received shareholder approval at the annual general meeting in November 2004, and were therefore granted in the 2005 financial year. The options were issued at no cost to the recipients.

No options held by key management personnel are vested but not exercisable at 30 June 2006 or 2005.

No options were held by key management personnel related parties.

No options have been granted since the end of the year.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Global Petroleum Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2005	Acquisitions	Received on exercise of options	Disposals	Held at 30 June 2006
Directors					
Dr J Armstrong	266,667	-	2,000,000	(2,000,000)	266,667
Mr P Blakey	29,124,318	-	-	(200,000)	28,924,318
Mr P Taylor	29,124,318	-	-	(200,000)	28,924,318
Mr P Dighton	26,667	-	-	(26,667)	-
Mr M Savage	-	-	-	-	-
Executives					
Mr D Olling	50,000	-	-	-	50,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. RELATED PARTIES (continued)

Movements in shares (continued)

	Held at 1 July 2004	Acquisitions	Received on exercise of options	Disposals	Held at 30 June 2005
Directors					
Dr J Armstrong	200,000	66,667	-	-	266,667
Mr P Blakey	21,575,120	7,549,198	-	-	29,124,318
Mr P Taylor	21,575,120	7,549,198	-	-	29,124,318
Mr P Dighton	20,000	6,667	-	-	26,667
Mr M Savage [(1)]	-	48,749	-	(48,749)	-
Executives					
Mr D Olling	-	50,000	-	-	50,000

(1) Shares acquired by a related party. Party ceased to be a related party post-acquisition of the shares.

No shares were granted to key management personnel during the reporting period as compensation in 2006 or 2005.

The aggregate number of shares held by key management personnel related parties at 30 June 2006 included in the table above is 7,398,905 (2005: 7,798,905).

Changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue

There were no changes in key management personnel in the period after the reporting date and prior to the date when the financial report is authorised for issue.

Non-key management personnel disclosures

Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see Note 21), joint ventures (see Note 22) and with its key management personnel (see to disclosures for key management personnel on preceding pages).

Subsidiaries

	Note	Consolidated		Global Petroleum	
		2006	2005	2006	2005
		$	$	$	$
Advance to controlled entity	8	-	-	-	146,594

The advance to Dampier Oil Limited was repaid during the year. The loan bore interest at 6% pa.

	Note	Consolidated		Global Petroleum	
		2006	2005	2006	2005
		$	$	$	$
Aggregate amounts receivable from, and payable to, controlled entities at balance date were as follows:					
Amounts receivable from controlled entities	8	-	-	1,484,817	2,623,068
Amounts payable to controlled entity	14	-	-	61,260	61,260

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. RELATED PARTIES (continued)

Non-key management personnel disclosures (continued)

Subsidiaries (continued)

Amounts receivable from and payable to controlled entities are non-interest bearing and are repayable on demand.

An amount receivable from a controlled entity of $21,749 was written off during the year (2005: $nil).

Other related parties

Key management persons related parties

For details of these transactions refer to key management personnel related disclosures.

25. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, Repsol Exploracion SA joined the joint venture operation in Kenya (Blocks L5 and L7). Holdings in the joint venture are now: Woodside (30% and operator), Dana (30%), Repsol (20%) and the consolidated entity (20%).

26. EXPLANATION OF TRANSITION TO AIFRS

As stated in Note 1(a), these are the consolidated entity's first consolidated financial statements prepared in accordance with AIFRS.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables. Only those balances where there has been a material impact have been disclosed below.

Reconciliation of equity

	Note	Consolidated		Global Petroleum	
		30 June 2005**	1 July 2004*	30 June 2005**	1 July 2004*
		$	$	$	$
Total equity under previous GAAP		26,948,866	22,824,220	27,537,379	23,318,070
Adjustments to reserves:					
Foreign currency translation reserve	(a)	48,455	44,981	-	-
Accumulated losses:					
Exploration and evaluation expenditure	(b)	(223,733)	(367,403)	-	(318,687)
Total equity under AIFRS		26,773,588	22,501,798	27,537,379	22,999,383

* This column represents the adjustments as at the date of transition to AIFRS.
** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. EXPLANATION OF TRANSITION TO AIFRS (continued)

Notes to the reconciliation of equity

(a) Under AASB 121 *The Effects of Changes in Foreign Exchange Rates*, the assets and liabilities of the consolidated entity's controlled foreign operations with a functional currency other than Australian currency are translated at the closing exchange rate at the balance date, with exchange differences arising on translation recognised as a separate component of equity. Under previous GAAP the assets and liabilities of foreign operations that are integrated are translated using the temporal method whereby monetary assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while non-monetary items are translated at exchange rates current when the transactions occurred, with exchange differences arising on translation brought to account in the statement of financial performance.

The aggregate impact on the foreign currency translation reserve and exploration and evaluation expenditure carried in the balance sheet of the consolidated entity at 1 July 2004 is an increase of $44,981. The aggregate impact on the foreign currency translation reserve and exploration and evaluation expenditure carried in the balance sheet of the consolidated entity at 30 June 2005 is an increase of $48,455.

(b) Under AASB 6 *Exploration for and Evaluation of Mineral Resources*, costs incurred before an entity has legal right of access to an exploration area must be expensed. For the consolidated entity, at 1 July 2004 an amount of $367,403 was reclassified from exploration and evaluation expenditure carried in the balance sheet to accumulated losses (the Company: $318,687). The adjustment to profit and loss for the year ended 30 June 2005 was a decrease in loss before tax of $143,670 (the Company: $318,687) and decrease in capitalised exploration and evaluation expenditure as at 30 June 2005 of $223,733 (the Company: $nil). An amount of $350,744 relating to Iraq had been written off under previous GAAP in the year ended 30 June 2005. Under AIFRS, $318,687 of this amount was reclassified from exploration and evaluation expenditure carried in the balance sheet to accumulated losses at 1 July 2004, and the remaining $32,057 was written off in the year ended 30 June 2005.

Reconciliation of loss for the year ended 30 June 2005

	Note	Consolidated	Global Petroleum
		$	$
Loss as reported under previous GAAP		(1,772,832)	(1,678,169)
Exploration and evaluation expenditure	(b)	143,670	318,687
Loss under AIFRS		(1,629,162)	(1,359,482)

Loss per share

Basic loss per share and diluted loss per share for the year ended 30 June 2005 under previous GAAP were both 1.08 cents. Under AIFRS the amount is 0.99 cents.

Revenue – proceeds on disposal of non-current assets

Under AIFRS the gain or loss on the disposal of non-current assets is recognised on a net basis as a gain or loss rather than as under previous GAAP which separately recognised the consideration received as revenue. This resulted in a reduction in revenue of $850,795 for the consolidated entity for the financial year ended 30 June 2005 (the Company: $50).

Statement of cash flows

There are no material differences between the statement of cash flows presented under AIFRS and the statement of cash flows presented under previous GAAP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. CHANGES IN ACCOUNTING POLICY

Reconciliation of financial instruments as if AASB 139 was applied at 1 July 2005

In the current financial year the consolidated entity adopted AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement*. This change in accounting policy has been adopted in accordance with the transition rules contained in AASB 1, which does not require the restatement of comparative information for financial instruments within the scope of AASB 132 and AASB 139.

The adoption of AASB 139 has resulted in the consolidated entity recognising available-for-sale investments as assets at fair value. This change has been accounted for by adjusting the opening balance of equity (fair value reserve) at 1 July 2005.

Under previous GAAP, the consolidated entity recorded available-for-sale investments at cost. In accordance with AIFRS, they are recognised at fair value. The effect on the consolidated entity is to increase available-for-sale investments and fair value reserve by $39,188,153 at 1 July 2005, representing the excess of fair value over the previous GAAP carrying value of the investments in Falkland Oil and Gas Limited and Falkland Gold and Minerals Limited (see Note 11).

Under previous GAAP, the Company and consolidated entity classified prepayments as other assets. In accordance with AIFRS, prepayments at 30 June 2006 have been classified as trade and other receivables. The comparatives for 30 June 2005 have not been restated.

The transitional provisions will not have any effect in future reporting periods.

DIRECTORS' DECLARATION

1. In the opinion of the directors of Global Petroleum Limited ("the Company"):

   (a) the financial statements and notes, and the remuneration disclosures that are contained in the Remuneration report on pages 10 to 14 of the directors' report, set out on pages 27 to 60, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) the remuneration disclosures that are contained in the Remuneration report on pages 10 to 14 in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*; and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2006.

Signed in accordance with a resolution of the directors.

J D Armstrong
Director
Brisbane
13 September 2006

KPMG

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF GLOBAL PETROLEUM LIMITED

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes to the financial statements (Notes 1 to 27), and the directors' declaration for both Global Petroleum Limited (the 'Company') and Global Petroleum Limited and its controlled entities (the 'consolidated entity'), for the financial year ended 30 June 2006. The consolidated entity comprises both the Company and the entities it controlled during that financial year.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "Remuneration report" in the sections marked "audited" in the directors' report and not in the financial report.

The Remuneration report also contains information in sections marked "unaudited" not required by Australian Accounting Standard AASB 124 which is not subject to our audit.

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. The directors are responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and that the remuneration disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, 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 assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Australian Accounting Standard AASB 124.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of 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.

Audit opinion

1. In our opinion, the financial report of Global Petroleum Limited is in accordance with:

   (a) the Corporations Act 2001, including:
      (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date; and
      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) other mandatory financial reporting requirements in Australia.

2. The remuneration disclosures that are contained in the Remuneration report in the sections marked "audited" in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

Kpmg

Robert S. Jones

KPMG
Brisbane
13 September 2006

Robert S Jones
Partner

ADDITIONAL INFORMATION

Additional Information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 11 September 2006.

1. TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of each class of listed securities are listed below:

(a) Ordinary Shares

Name	No of Ordinary Shares Held	Percentage of Issued Shares
Peter Blakey	25,224,866	14.64
Peter Taylor	25,224,866	14.64
National Nominees Limited	17,141,209	9.94
Edgewater Estates Limited	10,859,816	6.30
Westpac Custodian Nominees	9,523,753	5.53
Sandra Anne David	7,760,660	4.50
TM Services Limited	4,286,905	2.49
Hargreave Hale Nominees Limited	3,493,277	2.02
IPM Personal Pension Trustees Limited	3,112,000	1.81
Thomas Patrick Cross & Linda Cross	2,776,400	1.61
L R Nominees Limited	2,356,611	1.37
Irrewarra Investments Pty Ltd	2,352,121	1.37
Citicorp Nominees Pty Limited	2,335,808	1.36
W B Nominees Limited	1,717,651	1.00
Rickerbys Nominees Limited	1,454,797	0.84
Arredo Pty Ltd	1,430,000	0.83
Barclayshare Nominees Limited	1,423,289	0.83
J P Morgan Nominees Australia Limited	1,388,798	0.81
ANZ Nominees Limited	1,004,038	0.58
Nefco Nominees Pty Ltd	1,000,000	0.58
Total Top 20	**125,866,865**	**73.05**

(b) Preference Shares

The Company does not have any preference shares on issue.

(c) Options

Refer to Directors' Report.

2. DISTRIBUTION OF EQUITY SECURITIES

(a) Analysis of security by size of holding

	Number of Ordinary Shares	Number of Holders	Options Holders
1 - 1,000	451,393	948	
1,001 - 5,000	2,394,986	905	
5,001 - 10,000	3,033,939	375	
10,001 - 100,000	16,874,220	597	1
100,001 - and over	149,540,249	73	2
	172,294,787	2,898	3

ADDITIONAL INFORMATION (continued)

(b) Number of holders of unmarketable parcels

	Ordinary Shares
	677

3. RESTRICTED SECURITIES

There are no restricted securities.

4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Number of Shares
Peter Blakey	57,848,637
Peter Taylor	57,848,637
National Nominees Limited	17,141,209
Edgewater Estates Limited	10,859,816
Westpac Custodian Nominees Limited	9,523,753

5. VOTING RIGHTS

Refer to Note 17.

6. ON-MARKET BUY BACK

There is no current on-market buy back program.

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