



ABN 50 078 652 632

CONSOLIDATED INTERIM FINANCIAL REPORT

**For the half-year ended
31 December 2007**



ABN 50 078 652 632

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DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report of Oilex Ltd (the "Company") and its subsidiaries ("Oilex") for the six months ended 31 December 2007 and the review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

Mr Max Dirk Jan Cozijn – Non-Executive Chairman
Dr Bruce Henry McCarthy – Managing Director
Mr Raymond George Barnes – Technical Director
Mr Laxmi Lal Bhandari – Non-Executive Director

REVIEW OF OPERATIONS

Financial Performance

Oilex incurred a consolidated loss of \$6,721,880 for the half-year (December 2006: loss of \$3,442,105).

Operations

Oilex Ltd is a dual listed company (ASX and AIM) with a diversified portfolio of interests in India, Indonesia, Oman, Timor-Leste and Australia. The Company's current focus is on:

- Development of brownfield opportunities in India
- Development of the Pandalian discovery in the West Kampar PSC area, Indonesia
- Exploration drilling in Oman

The main highlights for the Company during the period were:

- The Sarha-1 exploration well in Block 56 Oman was spudded on 31 December 2007.
- The 2D seismic survey comprising 1,061 line km in the southwestern part of Block 56 was completed in November 2007.
- The Pandalian-3 appraisal well in the West Kampar block, Indonesia, was drilled, tested and suspended as a future oil production well in November 2007.
- A contract to conduct a 3D seismic survey of 1,181 km² over part of the WA-388-P permit in the Carnarvon Basin was finalised. Interpretation of the reprocessed 2D and existing third party seismic data continued.
- The Maura 3D seismic survey in the JPDA 06-103 PSC area was awarded to Wavefield Inseis. The survey will cover an area of 1,657 km² and is expected to commence in the second quarter of 2008.
- A rig has been mobilised to commence a program of 6 wells on Cambay Field, India and is on site undergoing commissioning operations.

Further details are contained within releases made by the Company over this period.

DIRECTORS' REPORT

CORPORATE MATTERS

Capital Structure

As at 31 December 2007, Oilex had a total issued capital of 130,083,885 ordinary shares.

In addition there were a total of 39,225,100 unlisted options on issue exercisable at prices of between \$0.20 and \$2.75.

At 31 December 2007, Oilex retained cash and receivables of approximately \$59 million.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration is set out on page 3 and forms part of the Directors' Report for the six months ended 31 December 2007.

This report is signed in accordance with a resolution of the Board of Directors.



M.D.J. Cozijn
Chairman



B.H. McCarthy
Managing Director

Dated this 11th day of March 2008



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Oilex Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the half-year ended 31 December 2007 there have been:

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

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'B C Fullarton'.

B C Fullarton
Partner

Perth
11 March 2008



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**CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2007**

	31 December 2007 \$	31 December 2006 \$
Continuing operations		
Revenue	217,394	-
Employee benefits expense	(613,379)	(671,887)
Depreciation expense	(118,169)	(57,520)
Exploration expenditure	(1,220,816)	(1,726,436)
Production costs	(363,602)	-
Administration expense	(1,492,409)	(1,207,933)
Well abandonment provision	-	(500,000)
Share based payments	(3,312,768)	(2,217,436)
Results from operating activities	(6,903,749)	(6,381,212)
Finance income	1,562,608	503,941
Finance expenses	(509,161)	(206,140)
Foreign exchange loss	(871,578)	(177,889)
Net finance costs	181,869	119,912
LOSS BEFORE INCOME TAX	(6,721,880)	(6,261,300)
Income tax expense	-	-
LOSS FROM CONTINUING OPERATIONS	(6,721,880)	(6,261,300)
Discontinued operation		
Profit from discontinued operation (net of tax)	-	2,819,195
LOSS FOR THE PERIOD	(6,721,880)	(3,442,105)
Earnings per share		
Basic loss per share (cents per share)	(5.2)	(4.5)
Diluted loss per share (cents per share)	(5.2)	(4.5)
Continuing operations		
Basic loss per share (cents per share)	(5.2)	(8.2)
Diluted loss per share (cents per share)	(5.2)	(8.2)

The consolidated interim income statement is to be read in conjunction with the condensed notes to the consolidated interim financial report.



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CONSOLIDATED INTERIM BALANCE SHEET
AS AT
31 DECEMBER 2007

	31 December 2007	30 June 2007
	\$	\$
Current Assets		
Cash and cash equivalents	51,646,941	66,993,383
Trade and other receivables	7,376,718	4,285,065
Prepayments	6,656	82,315
Inventories	2,501,866	376,704
TOTAL CURRENT ASSETS	61,532,181	71,737,467
Non Current Assets		
Exploration and evaluation	21,469,612	13,498,334
Property, plant & equipment	1,067,342	747,609
Investments	5,088,291	3,717,631
TOTAL NON CURRENT ASSETS	27,625,245	17,963,574
TOTAL ASSETS	89,157,426	89,701,041
Current Liabilities		
Trade and other payables	2,860,435	2,364,815
Employee benefits	216,487	155,362
Loans and borrowings	5,000,000	5,000,000
TOTAL CURRENT LIABILITIES	8,076,922	7,520,177
Non Current Liabilities		
Provisions	1,650,408	1,714,387
Loans and borrowings	5,000,000	5,000,000
TOTAL NON CURRENT LIABILITIES	6,650,408	6,714,387
TOTAL LIABILITIES	14,727,330	14,234,564
NET ASSETS	74,430,096	75,466,477
Equity		
Issued capital	101,385,375	100,893,697
Reserves	13,790,297	8,596,476
Accumulated losses	(40,745,576)	(34,023,696)
TOTAL EQUITY	74,430,096	75,466,477

The consolidated interim balance sheet is to be read in conjunction with the condensed notes to the consolidated interim financial report.

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED
31 DECEMBER 2007**

	Issued Capital \$	Option Reserve \$	Asset Revaluation Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2006	36,563,991	2,499,908	-	-	(19,302,425)	19,761,474
Revaluation of investments	-	-	185,030	-	-	185,030
Loss for the period	-	-	-	-	(3,442,105)	(3,442,105)
Shares issued on exercise of options	350,000	-	-	-	-	350,000
Transfer on exercise of options	202,801	(202,801)	-	-	-	-
Equity-settled share based payment transactions	25,827	2,217,436	-	-	-	2,243,263
Balance at 31 December 2006	37,142,619	4,514,543	185,030	-	(22,744,530)	19,097,662
Balance at 1 July 2007	100,893,697	7,753,044	330,053	513,379	(34,023,696)	75,466,477
Revaluation of investments	-	-	1,235,197	-	-	1,235,197
Foreign currency translation differences	-	-	-	860,034	-	860,034
Loss for the period	-	-	-	-	(6,721,880)	(6,721,880)
Shares issued on exercise of options	277,500	-	-	-	-	277,500
Transfer on exercise of options	214,178	(214,178)	-	-	-	-
Equity-settled share based payment transactions	-	3,312,768	-	-	-	3,312,768
Balance at 31 December 2007	101,385,375	10,851,634	1,565,250	1,373,413	(40,745,576)	74,430,096

The consolidated interim statement of changes in equity is to be read in conjunction with the condensed notes to the consolidated interim financial report.



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**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED
31 DECEMBER 2007**

	31 December 2007 \$	31 December 2006 \$
Cash Flows From Operating Activities		
Cash receipts from customers	-	34,618
Payments to suppliers and employees	(2,040,023)	(1,961,327)
Interest received	1,427,145	463,717
Interest paid	(255,001)	(265,111)
Net Cash Flows Used In Operating Activities	(867,879)	(1,728,103)
Cash Flows From Investing Activities		
Advances to joint ventures	(3,587,727)	-
Payments for exploration and evaluation	(10,284,115)	(4,813,447)
Acquisition of property, plant and equipment	(437,902)	(276,695)
Net Cash Flows Used In Investing Activities	(14,309,744)	(5,090,142)
Cash Flows From Financing Activities		
Proceeds from the exercise of options	277,500	350,000
Net Cash Flows From Financing Activities	277,500	350,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,900,123)	(6,468,245)
CASH AND CASH EQUIVALENTS AT 1 JULY	66,993,383	21,262,211
Effect of exchange rate fluctuations on cash held	(446,319)	-
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	51,646,941	14,793,966

The consolidated interim statement of cash flows is to be read in conjunction with the condensed notes to the consolidated interim financial report.



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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2007**

NOTE 1 – REPORTING ENTITY

Oilex Ltd (the “Company”) is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as “Oilex”) and Oilex’s interests in jointly controlled operations.

The consolidated annual financial report of Oilex as at and for the year ended 30 June 2007 is available upon request from the Company’s registered office at Level 3, 50 Kings Park Road, West Perth, Western Australia 6005 or at www.oilex.com.au.

NOTE 2 – STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The condensed consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of Oilex as at and for the year ended 30 June 2007.

This consolidated interim financial report was approved by the Board of Directors on 11th March 2008.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by Oilex in this consolidated interim financial report are the same as those applied by Oilex in its consolidated financial report as at and for the year ended 30 June 2007.

NOTE 4 – ESTIMATES

The preparation of an interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying Oilex’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2007.



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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2007**

NOTE 5 – SEGMENT INFORMATION

Primary Reporting - Geographical Segments

	India \$	Australia \$	Oman \$	Timor- Leste \$	Indonesia \$	Discontinued Operation \$	Group and Unallocated \$	Consolidated \$
Half-year ended 31 December 2007								
Segment revenue	217,394	-	-	-	-	-	-	217,394
Segment result/(loss)	(1,204,804)	642,048	(294,903)	(232,272)	(160,125)	-	(5,471,824)	(6,721,880)
Half-year ended 31 December 2006								
Segment revenue	-	-	-	-	-	-	-	-
Segment result/(loss)	(335,522)	(391,134)	(327,080)	(86,582)	-	2,819,195	(5,120,982)	(3,442,105)

Oilex operates in one business segment, being the exploration, development and production of hydrocarbons.

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2007**

NOTE 6 – SHARE BASED PAYMENTS

The Company has an established share option programme that entitles directors, key management personnel and advisers to purchase shares in the Company. The terms and conditions of the grants made during the year ended 30 June 2007 are disclosed in the most recent annual financial report. In the six months ended 31 December 2007 further grants on similar terms were made to directors and advisers.

The Company also has established an Employee Performance Rights Plan, approved by shareholders in 2006, which entitles employees to options and performance rights. The terms and conditions of the Plan and grants made during the year ended 30 June 2007 are disclosed in the most recent annual financial report. In the six months ended 31 December 2007 further grants of performance rights on similar terms were made to employees.

The basis of measuring fair value of options and performance rights granted is consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2007.

The terms and conditions of the grants made during the six months ended 31 December 2007 are as follows:

Grant Date	Number of Instruments	Vesting Conditions	Contractual Life of Options/Rights
OPTIONS			
Directors			
22 November 2007	3,900,000	Vest immediately	3 years
22 November 2007	3,900,000	One year of service	3 years
Employees			
31 August 2007	350,000	One year of service	3 years
31 August 2007	350,000	Two years of service	3 years
31 August 2007	350,000	Three years of service	4 years
Advisers			
25 July 2007	500,000	One year of service	4 years
PERFORMANCE RIGHTS			
Employees			
3 August 2007	125,000	One year of service	5 years
3 August 2007	110,000	Two years of service	5 years
3 August 2007	109,000	Three years of service	5 years
14 October 2007	33,000	One year of service	5 years
14 October 2007	33,000	Two years of service	5 years
14 October 2007	34,000	Three years of service	5 years

The following options and performance rights were forfeited during the six months ended 31 December 2007 due to service conditions not being met:

Grant Date	Number of Instruments	Vesting Conditions	Contractual Life of Options/Rights
OPTIONS			
Key Management Personnel			
14 September 2007	250,000	Two years of service	3 years
PERFORMANCE RIGHTS			
Key Management Personnel			
11 January 2007	40,000	Two years of service	5 years
11 January 2007	40,000	Three years of service	5 years
Employees			
11 January 2007	10,000	Two years of service	5 years
11 January 2007	10,000	Three years of service	5 years
3 August 2007	15,000	One year of service	5 years
3 August 2007	15,000	Two years of service	5 years
3 August 2007	15,000	Three years of service	5 years



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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2007**

NOTE 6 – SHARE BASED PAYMENTS (continued)

Fair value of options and performance rights granted during the six months ended 31 December 2007 has been determined using the following assumptions:

Options

Fair value at measurement date	\$0.32 to \$0.56
Share price	\$1.22 to \$1.62
Exercise price	\$1.57 to \$2.70
Expected volatility	31.4% to 39.1%
Option life	3 to 4 years
Expected dividends	-
Risk-free interest rate	6.25% to 6.75%

Performance Rights

Fair value at measurement date	\$1.11 to \$1.50
Share price	\$1.53 to \$1.72
Exercise price	nil
Expected volatility	60% to 90%
Effective life	3 to 4 years
Expected dividends	-
Risk-free interest rate	6.3% to 6.6%

NOTE 7 – EQUITY SECURITIES ISSUED

	2007 Number of Shares	2006 Number of Shares
Issue of share capital	-	19,566
Exercise of options	700,000	750,000
	700,000	769,566

NOTE 8 – CONTINGENCIES

Oilex Ltd has issued guarantees in relation to the exploration and development Work Programme in India, the lease of corporate offices in West Perth as well as credit card guarantees. The Bank Guarantees amount to US\$736,000 and A\$271,000. An equal amount is held in cash and cash equivalents.

DIRECTORS' DECLARATION

In the opinion of the Directors of Oilex Ltd (the "Company"):

1. the financial statements and notes set out on pages 4 to 11, are in accordance with the Corporations Act 2001 including:
 - a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the six month period ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at West Perth this 11th day of March 2008

Signed in accordance with a resolution of the Directors.



Mr M.D.J. Cozijn
Chairman



Dr B.H. McCarthy
Managing Director

West Perth, Western Australia
11th March 2008



Independent auditor's review report to the members of Oilex Ltd

Report on the financial report

We have reviewed the accompanying half-year financial report of Oilex Ltd, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies and other selected explanatory notes 1 to 8 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Oilex Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oilex Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

B C Fullarton
Partner

Perth
11 March 2008