



ABN 50 078 652 632

## **CONSOLIDATED INTERIM FINANCIAL REPORT**

For the half-year ended 31 December 2009



ABN 50 078 652 632

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## DIRECTORS' REPORT

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The Directors present their report together with the consolidated financial report of Oilex Ltd (the "Company") and of the consolidated entity, being the Company and its controlled entities (the "Group") for the six months ended 31 December 2009 and the review report thereon.

### DIRECTORS

The directors of the Company at any time during or since the end of the interim period are detailed below. All directors were in office for this entire period.

Mr Max Dirk Jan Cozijn	Non-Executive Chairman
Dr Bruce Henry McCarthy	Managing Director
Mr Raymond George Barnes	Technical Director
Mr Ben Clube	Finance Director
Mr Laxmi Lal Bhandari	Non-Executive Director
Mr Ronald Miller	Non-Executive Director

### REVIEW OF OPERATIONS

#### Financial Performance

The Group incurred a consolidated loss after income tax of \$7,057,668 for the half-year (31 December 2008: loss of \$32,633,462). The loss is mainly due to a write down of capitalised exploration and evaluation expenditure following an assessment of asset carrying values at the balance sheet date (\$4,266,207). Cash and cash equivalents held by the Group increased in the half year by \$9,318,886 to \$19,153,199 (31 December 2008: cash and cash equivalents of 14,708,829). The net increase in cash and cash equivalents held is mainly due to a placement of shares to raise A\$10.1 million that was completed during the half year.

#### 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:

- Planning for further exploration drilling in JPDA 06-103, Timor Sea.
- Further re-processing and interpretation of 3D seismic in WA-388-P, offshore Australia.
- Maintaining oil production and further evaluation in the Cambay PSC area, India.
- Appraisal of the Pandalian discovery and exploration in the West Kampar PSC, Indonesia.
- New opportunity identification and review.

The main events for the Company during the period were:

- A placement of shares to raise A\$10.1 million was finalised in November 2009.
- Key farm-out agreement concluded with Japan Energy resulting in Oilex being carried for its share of two initial wells (up to an agreed cap) and being reimbursed for some past costs resulting in Oilex holding 10%.
- Drilling of Loré-1 and Lolotoe-1 wells in JPDA 06-103, Timor Sea.
- Encouraging initial results from WA-388-P seismic interpretation.
- Continued oil production from Company's India assets with 13,551 barrels oil produced during the six month period.

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

**DIRECTORS' REPORT**

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**Significant Events After Balance Date**

Oilex (West Kampar) Limited ("OWK"), a wholly owned subsidiary of Oilex Ltd incorporated in Cyprus, is pursuing the recovery of a debt in excess of US\$4.1 million owed by PT Sumatera Persada Energi ("SPE") to OWK. This debt arose out of SPE's failure to repay monies advanced by OWK under the farmout agreement relating to West Kampar Production Sharing Contract ("PSC") entered into by them in August 2008 which was subsequently terminated in January 2009. Under the terms of a parent company guarantee provided to OWK at the time of entering into the farmout agreement, PT Asiabumi Petroleo ("Asiabumi"), the parent company, guaranteed SPE's obligations to repay the monies owing under the farmout agreement. Asiabumi has not repaid the monies and OWK consequently filed an arbitration proceeding in the International Chamber of Commerce in Singapore on 30 April 2009. The first arbitration hearing occurred on 25 January 2010 and is scheduled to be continued on 18 and 19 February 2010.

In the course of the arbitration proceeding, PT Asiabumi Petroleo notified OWK of a claim filed on 25 January 2010 by SPE in an Indonesian court against OWK. OWK has not been served with the claim. OWK understands that SPE is seeking damages from OWK for alleged defamation arising out of correspondence in November 2008 that provided BPMigas with information relating to SPE's performance as operator. No information has been provided in relation to the quantification of the damages claimed for costs and damage to SPE's reputation. OWK rejects the allegations in the claim and, if served, will vigorously oppose the claim.

**CORPORATE MATTERS****Capital Structure**

As at 31 December 2009, Oilex had a total issued capital of 220,074,885 ordinary shares.

In addition there were a total of 29,975,000 unlisted options exercisable at prices of between \$0.30 and \$2.75 and 555,000 performance rights.

At 31 December 2009, Oilex retained cash of approximately \$19.2 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 2009.

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

**Mr M.D.J. Cozijn**  
Chairman

**Mr B. Clube**  
Finance Director

West Perth  
Western Australia  
12 February 2010



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

To: the directors of Oilex Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2009 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.

KPMG

B. Steedman  
*Partner*

Perth

12 February 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

	Note	31 December 2009 \$	31 December 2008 \$
<b>Continuing operations</b>			
Revenue		724,133	439,652
Cost of sales			
Production costs		(313,326)	(297,779)
Inventory movement		(36,498)	-
Amortisation of development assets		(301,609)	-
Total cost of sales		(651,433)	(297,779)
<b>Gross profit</b>		<b>72,700</b>	<b>141,873</b>
Other income		8,332	-
Net loss on sale of investment		-	(4,317,320)
Employee benefits expense		(398,332)	(603,148)
Depreciation expense		(218,747)	(295,004)
Exploration expenditure (including recovery of past costs)		861,057	(9,231,070)
Impairment of exploration and evaluation expenditure	6	(4,266,207)	(17,103,297)
Impairment of development assets		(833,052)	-
Well abandonment provision		-	(76,692)
Administration expense		(250,967)	(1,675,166)
Share based payments		(890,797)	(537,030)
Other expenses		(312,226)	-
<b>Results from operating activities</b>		<b>(6,228,239)</b>	<b>(33,696,854)</b>
Finance income		60,968	444,721
Finance costs		(2,127)	(19)
Foreign exchange gain/(loss)		(888,270)	1,731,054
<b>Net finance income/(expense)</b>		<b>(829,429)</b>	<b>2,175,756</b>
<b>Loss before income tax</b>		<b>(7,057,668)</b>	<b>(31,521,098)</b>
Income tax expense		-	(1,112,364)
<b>Loss for the period</b>		<b>(7,057,668)</b>	<b>(32,633,462)</b>
<b>Other comprehensive income</b>			
Foreign currency translation difference		(2,560,500)	12,380,106
<b>Other comprehensive (loss)/income for the period, net of income tax</b>		<b>(2,560,500)</b>	<b>12,380,106</b>
<b>Total comprehensive loss for the period</b>		<b>(9,618,168)</b>	<b>(20,253,356)</b>
<b>Earnings per share</b>			
Basic loss per share (cents per share)		(3.73)	(24.7)
Diluted loss per share (cents per share)		(3.73)	(24.7)

The condensed notes on pages 8 to 12 are an integral part of these consolidated interim financial statements.



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**CONSOLIDATED INTERIM BALANCE SHEET**  
AS AT 31 DECEMBER 2009

	Note	31 December 2009 \$	30 June 2009 \$
<b>Current assets</b>			
Cash and cash equivalents		19,153,199	10,506,379
Trade and other receivables		1,515,349	1,384,981
Prepayments		177,461	161,703
Inventories		1,326,517	1,892,203
<b>Total current assets</b>		<b>22,172,526</b>	<b>13,945,266</b>
<b>Non-current assets</b>			
Exploration and evaluation	6	21,746,826	31,261,621
Property, plant & equipment		1,299,319	884,614
<b>Total non-current assets</b>		<b>23,046,145</b>	<b>32,146,235</b>
<b>Total assets</b>		<b>45,218,671</b>	<b>46,091,501</b>
<b>Current liabilities</b>			
Trade and other payables		2,443,256	3,795,494
Employee benefits		163,436	167,453
<b>Total current liabilities</b>		<b>2,606,692</b>	<b>3,962,947</b>
<b>Non-current liabilities</b>			
Provisions		2,610,330	2,829,930
<b>Total non-current liabilities</b>		<b>2,610,330</b>	<b>2,829,930</b>
<b>Total liabilities</b>		<b>5,217,022</b>	<b>6,792,877</b>
<b>Net assets</b>		<b>40,001,649</b>	<b>39,298,624</b>
<b>Equity</b>			
Issued capital		120,165,305	110,734,909
Reserves		13,879,375	18,330,351
Accumulated losses		(94,043,031)	(89,766,636)
<b>Total equity</b>		<b>40,001,649</b>	<b>39,298,624</b>

The condensed notes on pages 8 to 12 are an integral part of these consolidated interim financial statements.



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**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	Issued Capital \$	Option Reserve \$	Asset Revaluation Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2008	101,368,396	13,101,354	2,595,516	(2,658,994)	(41,583,408)	72,822,864
Devaluation of investments	-	-	(2,199,336)	-	-	(2,199,336)
Loss for the period	-	-	-	-	(32,633,462)	(32,633,462)
Transferred to income statement upon sale of investment	-	-	(396,180)	-	-	(396,180)
Foreign currency translation differences	-	-	-	12,380,106	-	12,380,106
Shares issued	4,391,620	-	-	-	-	4,391,620
Capital raising costs	(366,169)	-	-	-	-	(366,169)
Shares issued on exercise of Employee Performance Rights	-	(239,400)	-	-	239,400	-
Transfer on cancellation & forfeiture of options	-	(813,172)	-	-	813,172	-
Equity-settled share based payment transactions	-	537,030	-	-	-	537,030
Balance at 31 December 2008	105,393,847	12,585,812	-	9,721,112	(73,164,298)	54,536,473
Balance at 1 July 2009	110,734,909	12,819,214	-	5,511,137	(89,766,636)	39,298,624
Loss for the period	-	-	-	-	(7,057,668)	(7,057,668)
Foreign currency translation differences	-	-	-	(2,560,500)	-	(2,560,500)
Shares issued	10,120,000	-	-	-	-	10,120,000
Capital raising costs	(689,604)	-	-	-	-	(689,604)
Shares issued on exercise of Employee Performance Rights	-	(28,000)	-	-	28,000	-
Transfer on forfeiture of options	-	(2,753,273)	-	-	2,753,273	-
Equity-settled share based payment transactions	-	890,797	-	-	-	890,797
Balance at 31 December 2009	120,165,305	10,928,738	-	2,950,637	(94,043,031)	40,001,649

The condensed notes on pages 8 to 12 are an integral part of these consolidated interim financial statements.



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**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

	31 December 2009	31 December 2008
	\$	\$
<b>Cash flows from operating activities</b>		
Cash receipts from customers	786,286	-
Payments to suppliers and employees	(994,304)	(2,025,018)
Production costs	(313,326)	(297,779)
Interest received	43,843	414,665
<b>Net cash used in operating activities</b>	<b>(477,501)</b>	<b>(1,908,132)</b>
<b>Cash flows from investing activities</b>		
Advances from/(to) joint ventures	29,059	1,311,662
Payments for/(recovery of) exploration and evaluation	426,792	(19,424,077)
Payments for purchase of prospects	-	(4,128,333)
Proceeds from sale of assets	29,488	-
Proceeds from sale of investment	-	937,279
Acquisition of property, plant and equipment	(119,348)	(303,649)
<b>Net cash used in investing activities</b>	<b>365,991</b>	<b>(21,607,118)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	10,120,000	4,391,621
Share capital received in advance	-	101,565
Payment for share issue costs	(689,604)	-
Proceeds from the exercise of options	-	-
<b>Net cash from financing activities</b>	<b>9,430,396</b>	<b>4,493,186</b>
<b>Net increase/(decrease) in cash held</b>	<b>9,318,886</b>	<b>(19,022,064)</b>
<b>Cash and cash equivalents at 1 July</b>	<b>10,506,379</b>	<b>33,487,053</b>
Effect of exchange rate fluctuations on cash held	(672,066)	243,840
<b>Cash and cash equivalents at 31 December</b>	<b>19,153,199</b>	<b>14,708,829</b>

The condensed notes on pages 8 to 12 are an integral part of these consolidated interim financial statements.



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## CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

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### 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 2009 comprises the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled operations.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2009 is available upon request from the Company's registered office at Level 2, 50 Kings Park Road, West Perth, Western Australia 6005 or at [www.oilex.com.au](http://www.oilex.com.au).

### 2. BASIS OF PREPARATION

#### (a) 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 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 the Group as at and for the year ended 30 June 2009.

This consolidated interim financial report was approved by the Board of Directors on 12 February 2010.

#### (b) Going Concern

The Directors believe that it is appropriate to prepare the financial statements on a going concern basis. As at 31 December 2009, the Group's current assets exceeded current liabilities by \$19,565,834 and the Group has cash and cash equivalents of \$19,153,199. The Directors are satisfied that the value of the Group's assets can be realised through further evaluation, development and production or alternatively through asset sale or farm down. The Directors are also satisfied that the Company has adequate plans in place in order that its funding requirements in the foreseeable future can be met and that the Company is progressing with these plans accordingly.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by Oilex in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2009.

### 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 the Group'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 2009.



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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

**5. SEGMENT INFORMATION**

	India \$	Australia \$	Oman \$	Timor- Leste \$	Indonesia \$	Group and Unallocated \$	Consolidated \$
<b>Half-year ended 31 December 2008</b>							
Segment revenue	439,652	-	-	-	-	-	439,652
Segment result	(3,068,616)	(1,157,492)	(9,168,138)	(7,789,010)	(4,562,068)	(6,888,138)	(32,633,462)
<b>Half-year ended 31 December 2009</b>							
Segment revenue	724,133						724,133
Segment result	(5,452,506)	(146,268)	(343,324)	2,338,859	(1,020,535)	(2,433,894)	(7,057,668)

**6. EXPLORATION AND EVALUATION**

	31 December 2009 \$	Year Ended 30 June 2009 \$
<b>Exploration and evaluation</b>		
Opening Balance	31,261,621	31,464,923
Expenditure capitalised net of recovery	(666,004)	12,909,841
Transfer to development expenditure	(1,662,560)	-
Acquisition of exploration assets	-	4,128,333
Effect of movements in foreign exchange rates	(2,920,024)	7,637,503
	<u>26,013,033</u>	<u>56,140,600</u>
Impairment of exploration and evaluation expenditure	(4,266,207)	(24,878,979)
Closing Balance	<u>21,746,826</u>	<u>31,261,621</u>

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

**7. 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 share option program are disclosed in the consolidated financial report as at and for the year ended 30 June 2009. In the six months ended 31 December 2009 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 are disclosed in the consolidated financial report as at and for the year ended 30 June 2009. No further grants were made in the six months ended 31 December 2009.

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 2009.

The terms and conditions of the grants made during the six months ended 31 December 2009 are as follows:

Grant Date	Number of Instruments	Vesting Conditions	Exercise Price	Contractual Life of Options
<b>OPTIONS</b>				
<b>Directors</b>				
26 November 2009	2,250,000	One year of service	\$0.30	5 years
<b>Key Management Personnel</b>				
17 August 2009	2,350,000	One year of service	\$0.30	5 years
24 August 2009	300,000	One year of service	\$0.30	5 years
<b>Employees</b>				
17 August 2009	600,000	One year of service	\$0.30	5 years
<b>Financiers and Advisors</b>				
31 August 2009	2,000,000	Vest immediately	\$0.30	2 years
<b>Total Options</b>	<u>7,500,000</u>			

During the six months ended 31 December 2009, the following options lapsed unexercised and performance rights were forfeited due to service conditions not being met:

Grant Date	Number of Instruments	Expiry Date	Exercise Price
<b>OPTIONS</b>			
<b>Directors</b>			
3 December 2004	500,000	31 December 2009	\$1.50
14 December 2005	4,000,000	14 December 2009	\$0.80
<b>Key Management Personnel</b>			
3 December 2004	300,000	31 December 2009	\$1.50
31 July 2006	775,000	31 July 2009	\$0.50
31 July 2006	775,000	31 July 2009	\$0.65
<b>Employees</b>			
3 December 2004	200,000	31 December 2009	\$1.50
14 December 2005	250,000	14 December 2009	\$0.80
<b>Former Managing Director</b>			
3 December 2004	500,000	31 December 2009	\$1.00
3 December 2004	2,000,000	31 December 2009	\$1.50
<b>Financiers and Advisors</b>			
10 October 2006	500,000	31 October 2009	\$1.50
10 October 2006	500,000	31 October 2009	\$1.75
<b>Total Options</b>	<u>10,300,000</u>		
<b>PERFORMANCE RIGHTS</b>			
<b>Key Management Personnel</b>			
11 January 2007	35,000	1 July 2011	-
11 January 2007	35,000	1 July 2011	-
<b>Employees</b>			
11 January 2007	143,000	1 July 2011	-
11 January 2007	138,000	1 July 2011	-
<b>Total Performance Rights</b>	<u>351,000</u>		
<b>Total Options and Performance Rights</b>	<u>10,651,000</u>		



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**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

**7. SHARE BASED PAYMENTS (CONTINUED)**

Fair value of options granted during the six months ended 31 December 2009 has been determined using the following assumptions:

**Options**

Fair value at measurement date	\$0.12 to \$0.22
Share price	\$0.25 to \$0.31
Exercise price	\$0.30
Expected volatility	92% to 97%
Option life	2 to 5 years
Expected dividends	-
Risk-free interest rate	3.0% - 3.5%

The fair value of the options is calculated at the date of grant using the Black-Scholes Model.

**8. EQUITY SECURITIES ISSUED**

	2009 Number of Shares	2008 Number of Shares
Issue of share capital	44,000,000	19,094,000
Exercise of employee performance rights	20,000	171,000
Exercise of options	-	-
	<u>44,020,000</u>	<u>19,265,000</u>

Shareholders at a General Meeting held 16 November 2009 ratified the issue of 24,000,000 shares issued in Tranche 1 and approved a further Tranche 2 allotment of 20,000,000, both tranches were issued at \$0.23 cents per share, relating to a placement of a total of 44 million shares at \$0.23 cents per share.

	2009 Number of Shares	\$ Issued Capital
Number of shares on issue 1 July 2009	176,054,885	110,734,909
Exercise of employee performance rights	20,000	
Issue of share capital		
Allotment	44,000,000	10,120,000
Capital raising costs		(689,604)
Number of shares on issue 31 December 2009	<u>220,074,885</u>	
Issued Capital as at 31 December 2009		<u>120,165,305</u>

**9. CONTINGENCIES**

(a) Oilex Ltd has issued guarantees in relation to the lease of corporate offices in West Perth as well as credit card guarantees. The Bank Guarantees amount to \$206,000. An equal amount is held in cash and cash equivalents as security by the Banks.

(b) A disputed invoice received by a subsidiary company of the Group from a supplier for \$292,983. The subsidiary does not admit the liability and denies that it has any responsibility to pay the invoice.

(c) During the financial year ended 30 June 2009, Oilex Ltd, as operator of the EPP27 Permit, finalised the terms of a good standing agreement ("GSA") with the relevant authorities and joint venture participants in consideration for allowing the joint venture to not drill a commitment well in the EPP27 Permit due to lack of prospective drilling targets. Oilex's monetary share of the GSA is \$2,101,225. Under the terms of the GSA that expenditure is to be made on field activities in the primary term on either (1) re-released offshore acreage which is awarded to Oilex in the next two Australian gazettal rounds or (2) newly released acreage awarded to Oilex as a sole bidder during the next two Australian gazettal rounds.

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2009**

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**10. RELATED PARTIES**

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the consolidated annual financial report of the Group as at and for the year ended 30 June 2009.

**11. EXPENDITURE COMMITMENTS****Exploration and Evaluation Expenditure Commitments**

In order to maintain current rights of tenure to exploration permits, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various state and national governments. These obligations are subject to renegotiation when application for an exploration permit is made and at other times.

The exploration and evaluation expenditure commitments below, represent commitments made to the relevant government authorities respective joint venture participants and to third party service providers. These obligations are not provided for in the financial report.

The Group's share of these commitments is estimated as follows:

	31 December 2009	30 June 2009
Within one year	8,195,000	44,481
One year or later and no later than five years	13,828,186	19,899,770
	<u>22,023,186</u>	<u>19,944,251</u>

Financial commitments for subsequent periods are contingent upon future exploration results and can not be estimated. These obligations are subject to renegotiation upon expiry of the exploration leases.

**12. SUBSEQUENT EVENTS**

Oilex (West Kampar) Limited ("OWK"), a wholly owned subsidiary of Oilex Ltd incorporated in Cyprus, is pursuing the recovery of a debt in excess of US\$4.1 million owed by PT Sumatera Persada Energi ("SPE") to OWK. This debt arose out of SPE's failure to repay monies advanced by OWK under the farmout agreement relating to West Kampar Production Sharing Contract ("PSC") entered into by them in August 2008 which was subsequently terminated in January 2009. Under the terms of a parent company guarantee provided to OWK at the time of entering into the farmout agreement, PT Asiabumi Petroleo ("Asiabumi"), the parent company, guaranteed SPE's obligations to repay the monies owing under the farmout agreement. Asiabumi has not repaid the monies and OWK consequently filed an arbitration proceeding in the International Chamber of Commerce in Singapore on 30 April 2009. The first arbitration hearing occurred on 25 January 2010 and is scheduled to be continued on 18 and 19 February 2010.

In the course of the arbitration proceeding, PT Asiabumi Petroleo notified OWK of a claim filed on 25 January 2010 by SPE in an Indonesian court against OWK. OWK has not been served with the claim. OWK understands that SPE is seeking damages from OWK for alleged defamation arising out of correspondence in November 2008 that provided BPMigas with information relating to SPE's performance as operator. No information has been provided in relation to the quantification of the damages claimed for costs and damage to SPE's reputation. OWK rejects the allegations in the claim and, if served, will vigorously oppose the claim.

## 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 12, 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 2009 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 12 day of February 2010

Signed in accordance with a resolution of the Directors.



Mr M.D.J. Cozijn  
Chairman

West Perth,  
Western Australia

12 February 2010



Mr B Clube  
Finance Director



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

### **Report on the financial report**

We have reviewed the accompanying interim financial report of Oilex Ltd, which comprises the consolidated balance sheet as at 31 December 2009, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the interim period ended on that date, a statement of accounting policies and other explanatory notes 1 to 12 and the directors' declaration of the Group comprising the company and the entities it controlled at the interim's end or from time to time during the interim period.

#### *Directors' responsibility for the interim financial report*

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports 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 interim 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 2009 and its performance for the interim period 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 interim 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.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim 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 2009 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

B Steedman  
*Partner*

Perth

12 February 2010