



ABN 50 078 652 632

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

For the half-year ended 31 December 2011



ABN 50 078 652 632

CONTENTS

| | |
|---|----|
| Directors' Report | 1 |
| Auditor's Independence Declaration | 3 |
| Condensed Consolidated Statement of Comprehensive Income..... | 4 |
| Condensed Consolidated Statement of Financial Position | 5 |
| Condensed Consolidated Statement of Changes in Equity | 6 |
| Condensed Consolidated Statement of Cash Flows..... | 7 |
| Notes to the Condensed Consolidated Interim Financial Report..... | 8 |
| Directors' Declaration..... | 14 |
| Independent Review Report..... | 15 |

DIRECTORS' REPORT

The Directors present their report together with the interim financial report of the condensed consolidated entity, being Oilex Ltd (the "Company") and its controlled entities (the "Group") for the six months ended 31 December 2011 and the review report thereon.

DIRECTORS

The directors of the Company at any time during the interim period and until the date of this report are detailed below. All directors were in office for this entire period unless otherwise stated.

| | |
|---------------------|--|
| Mr Max Cozijn | Non-Executive Chairman |
| Mr Sundeep Bhandari | Non-Executive Vice Chairman from 9 November 2011 |
| Dr Bruce McCarthy | Managing Director |
| Mr Raymond Barnes | Technical Director |
| Mr Ben Clube | Finance Director and Company Secretary |
| Mr Laxmi Bhandari | Non-Executive Director until 9 November 2011 |
| Mr Ronald Miller | Non-Executive Director |

REVIEW OF OPERATIONS

Financial Performance

The Group incurred a consolidated loss after income tax of \$2,623,374 for the half-year (31 December 2010: loss of \$8,497,879). The loss includes \$1,747,024 incurred on exploration expenditure which largely relates to geological studies undertaken in India and the seismic processing and related timewriting in JPDA 06-103. Cash and cash equivalents held by the Group as at 31 December 2011 totalled \$10,459,383 (30 June 2011: cash and cash equivalents \$19,070,262).

Operations

Oilex Ltd is a dual listed (ASX and AIM) oil and gas exploration and production company. The Company's primary focus is on evaluating and commercialising the extensive Eocene low permeability ("tight") reservoirs in its onshore Cambay Field located in the state of Gujarat, India, where energy market fundamentals are attractive. The Company is applying leading-edge tight reservoir evaluation, drilling and production technologies and techniques which have been developed in recent years in the rapidly expanding "tight" and shale gas industry in North America. The Company's also has exploration assets offshore Western Australia, the Timor Sea and onshore Sumatra, Indonesia.

The main events for the Company during the period were:

- Oilex successfully drilled and completed the 2,740 metre Cambay-76H well including 610 metre horizontal section and conducted an eight stage fracture stimulation program.
- Netherland, Sewell and Associates Inc. completed an initial independent assessment of the Cambay PSC Eocene "tight" reservoirs and provided Best Estimates as set out below:
 - Two shallow zones (X and Y) with combined unrisksed contingent resources of 222 BCF of gas and associated gas and 37 million barrels of oil and condensate, net to Oilex,
 - Four deeper zones (Z, 180-200, 200-300, 300-400) with unrisksed prospective resources of 420 BCF of gas and associated gas and 63 million barrels of oil and condensate, net to Oilex.
 - The net to Oilex estimates above include Government share of production applicable under the Cambay PSC.
- Completed micro-seismic and pressure data acquisition during the Cambay-76H fracture stimulation program. The preliminary interpretation of post fracture data indicates that the fracture stimulation program was effective and has stimulated a rock volume comparable to that being achieved in North American tight reservoir operations.
- Fishing operations to retrieve the stuck milling tool in Cambay-76H well were started and 246 metres of coil successfully recovered. Fishing operations were interrupted due to higher than expected reservoir pressures and an influx of hydrocarbons and fracture stimulation fluids into the wellbore. As a consequence well control operations were initiated. As soon as the well has been stabilised fishing operations will resume.
- In conjunction with the Cambay Joint Venture partner, Gujarat State Petroleum Corporation, well locations and objectives have been agreed for follow up drilling campaigns in 2012 and 2013 to confirm and develop NSAI assessed Resources.
- In JPDA 06-103 the processing of the Tutuala 3D Survey seismic data was completed. The interpretation of the Tutuala structure has indicated the presence of a technically viable prospect.

DIRECTORS' REPORT

- The reprocessing of 3D seismic data across the Bazartete structure has been completed and the interpretation of these data is ongoing.
- In WA-388-P work continues on the interpretation of the pre-stack depth migration reprocessed data across the Placanica prospect by the Operator Apache Northwest Pty Ltd.
- Negotiations progressed on the West Kampar Joint Venture dispute. Oilex continues to protect its participating interest in the West Kampar PSC and to pursue enforcement of its Arbitration Award as appropriate.

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

Significant Events After Balance Date

There are no significant subsequent events occurring after balance date.

CORPORATE MATTERS

Capital Structure

As at 31 December 2011 the company had total issued capital of 253,324,885 ordinary shares.

During the six months ended 31 December 2011 Oilex issued 1,300,000 unlisted options and 8,300,000 unlisted options expired unexercised. As at 31 December 2011 there were a total of 34,075,000 unlisted options exercisable at prices of between \$0.30 and \$2.75 and 22,000 performance rights.

At 31 December 2011, Oilex retained cash of \$10,459,383.

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 half-year ended 31 December 2011.

Signed in accordance with a resolution of the Board of Directors.



Mr B H McCarthy
Managing Director



Mr B Clube
Finance Director

West Perth
Western Australia

2 February 2012



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 review for the half-year ended 31 December 2011 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

KPMG

G-1777

Graham Hogg
Partner

Perth, WA
2 February 2012



ABN 50 078 652 632

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

| | Note | 31 December 2011 \$ | 31 December 2010 \$ |
|--|------|------------------------|------------------------|
| Revenue | 6(a) | 147,315 | 870,985 |
| Cost of sales | 6(b) | (233,241) | (174,437) |
| Gross profit/(loss) | | (85,926) | 696,548 |
| Exploration expenditure | | (1,747,024) | (2,463,286) |
| Administration expense | 6(c) | (1,047,060) | (870,239) |
| Share-based payments | | (63,237) | (2,553,744) |
| Other expenses | 6(d) | (130,117) | (648,077) |
| Results from operating activities | | (3,073,364) | (5,838,798) |
| Finance income | | 130,329 | 143,579 |
| Finance costs | | (25) | (30) |
| Foreign exchange gain/(loss) | 6(e) | 319,686 | (2,802,630) |
| Net finance income/(loss) | | 449,990 | (2,659,081) |
| Loss before income tax | | (2,623,374) | (8,497,879) |
| Income tax expense | | - | - |
| Loss for the period | | (2,623,374) | (8,497,879) |
| Other comprehensive income | | | |
| Foreign currency translation difference | | 1,326,880 | (2,684,501) |
| Other comprehensive (loss)/income for the period, net of income tax | | 1,326,880 | (2,684,501) |
| Total comprehensive loss for the period | | (1,296,494) | (11,182,380) |
| Earnings per share | | | |
| Basic loss per share (cents per share) | | 1.04 | 3.81 |
| Diluted loss per share (cents per share) | | 1.04 | 3.81 |

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.



ABN 50 078 652 632

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

| | Note | 31 December 2011 | 30 June 2011 |
|--------------------------------------|------|-------------------|-------------------|
| | | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | | 10,459,383 | 19,070,262 |
| Trade and other receivables | | 2,069,285 | 2,833,625 |
| Prepayments | | 74,604 | 114,915 |
| Inventories | | 1,465,497 | 1,681,600 |
| Total current assets | | 14,068,769 | 23,700,402 |
| Exploration and evaluation | 7 | 28,649,340 | 22,394,942 |
| Property, plant and equipment | | 353,673 | 448,919 |
| Total non-current assets | | 29,003,013 | 22,843,861 |
| Total assets | | 43,071,782 | 46,544,263 |
| Liabilities | | | |
| Trade and other payables | | 5,633,416 | 7,979,542 |
| Employee benefits | | 188,035 | 198,275 |
| Total current liabilities | | 5,821,451 | 8,177,817 |
| Provisions | | 2,314,500 | 2,210,708 |
| Total non-current liabilities | | 2,314,500 | 2,210,708 |
| Total liabilities | | 8,135,951 | 10,388,525 |
| Net assets | | 34,935,831 | 36,155,738 |
| Equity | | | |
| Issued capital | | 130,057,307 | 130,043,957 |
| Reserves | | 5,456,786 | 7,424,259 |
| Accumulated losses | | (100,578,262) | (101,312,478) |
| Total equity | | 34,935,831 | 36,155,738 |

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

| | Attributable to Equity Holders of the Company | | | | Total Equity \$ |
|--|---|-------------------------|---|-----------------------------|--------------------|
| | Issued Capital \$ | Option Reserve \$ | Foreign Currency Translation Reserve \$ | Accumulated Losses \$ | |
| Balance at 1 July 2010 | 120,158,833 | 9,139,884 | 3,885,033 | (95,122,304) | 38,061,446 |
| Total Comprehensive (loss)/income for the period | | | | | |
| Profit or loss | - | - | - | (8,497,879) | (8,497,879) |
| Other comprehensive income | | | | | |
| Foreign currency translation differences | - | - | (2,684,501) | - | (2,684,501) |
| Total other comprehensive income | - | - | (2,684,501) | - | (2,684,501) |
| Total comprehensive (loss)/ income for the period | - | - | (2,684,501) | (8,497,879) | (11,182,380) |
| Transactions with owners, recorded directly in equity | | | | | |
| Contributions by and distributions to owners | | | | | |
| Shares issued | 9,459,246 | - | - | - | 9,459,246 |
| Capital raising costs | (524,717) | - | - | - | (524,717) |
| Transfer on exercise of options or performance rights | - | - | - | - | - |
| Transfers on forfeited options | - | (1,245,914) | - | 1,245,914 | - |
| Share-based payment transactions | - | 2,553,744 | - | - | 2,553,744 |
| Total transactions with owners | 8,934,529 | 1,307,830 | - | 1,245,914 | 11,488,273 |
| Balance at 31 December 2010 | 129,093,362 | 10,447,714 | 1,200,532 | (102,374,269) | 38,367,339 |
| Balance at 1 July 2011 | 130,043,957 | 8,373,339 | (949,080) | (101,312,478) | 36,155,738 |
| Total Comprehensive (loss)/income for the period | | | | | |
| Profit or loss | - | - | - | (2,623,374) | (2,623,374) |
| Other comprehensive income | | | | | |
| Foreign currency translation differences | - | - | 1,326,880 | - | 1,326,880 |
| Total other comprehensive income | - | - | 1,326,880 | - | 1,326,880 |
| Total comprehensive (loss)/ income for the period | - | - | 1,326,880 | (2,623,374) | (1,296,494) |
| Transactions with owners, recorded directly in equity | | | | | |
| Contributions by and distributions to owners | | | | | |
| Shares issued | 15,000 | - | - | - | 15,000 |
| Capital raising costs | (1,650) | - | - | - | (1,650) |
| Transfer on exercise of options or performance rights | - | (5,573) | - | 5,573 | - |
| Transfers on forfeited options | - | (3,352,017) | - | 3,352,017 | - |
| Share-based payment transactions | - | 63,237 | - | - | 63,237 |
| Total transactions with owners | 13,350 | (3,294,353) | - | 3,357,590 | 76,587 |
| Balance at 31 December 2011 | 130,057,307 | 5,078,986 | 377,800 | (100,578,262) | 34,935,831 |

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.



ABN 50 078 652 632

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

| | 31 December 2011 | 31 December 2010 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Cash flows from operating activities | | |
| Cash receipts from customers | - | - |
| Payments to suppliers and employees | (1,168,437) | (972,354) |
| Cash outflows from operations | (1,168,437) | (972,354) |
| Interest received | 144,885 | 181,564 |
| Net cash used in operating activities | (1,023,552) | (790,790) |
| Cash flows from investing activities | | |
| Advances from joint ventures | 185 | 35,375 |
| Payments for exploration and evaluation | (7,889,785) | (3,094,579) |
| Acquisition of property, plant and equipment | (28,736) | (30,071) |
| Net cash (used in)/from investing activities | (7,918,336) | (3,094,668) |
| Cash flows from financing activities | | |
| Proceeds from issue of share capital | 15,000 | 9,459,246 |
| Payment for share issue costs | (1,650) | (505,545) |
| Net cash from financing activities | 13,350 | 8,953,701 |
| Net (decrease)/increase in cash held | (8,928,538) | 5,073,636 |
| Cash and cash equivalents at 1 July | 19,070,262 | 16,809,095 |
| Effect of exchange rate fluctuations on cash held | 317,659 | (1,790,820) |
| Cash and cash equivalents at 31 December | 10,459,383 | 20,091,911 |

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes.



ABN 50 078 652 632

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

1. REPORTING ENTITY

Oilex Ltd (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities") and the Group's interest in associates and jointly controlled entities. Oilex Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and on the AIM Market of the London Stock Exchange. The Group is primarily involved in the exploration, evaluation, development and production of hydrocarbons.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2011 is available upon request from the Company's registered office at Ground Floor, 26 Colin Street, West Perth, Western Australia 6005 or at www.oilex.com.au.

2. BASIS OF PREPARATION

(a) Statement of Compliance

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

The condensed consolidated interim financial report does not include all of the notes and information included in an annual financial report and accordingly this report should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2011 and any public announcements made by Oilex Ltd during the period ended 31 December 2011.

This condensed consolidated interim financial report was authorised for issue by the Board of Directors on 2 February 2012.

(b) Going Concern

As at 31 December 2011, the Group's current assets exceeded current liabilities by \$8,247,318 and the Group has cash and cash equivalents of \$10,459,383. The Group will continue to manage its expenditure to ensure that it has sufficient cash reserves for the next twelve months. The Group will require funds within the next twelve months to undertake further evaluation and development activities on its Cambay asset and its other assets. The evaluation and development work programme planned for the Cambay assets is discretionary and is subject to operational results.

Given the current macro-economic environment and the status of its ongoing evaluation of the Cambay asset, the Directors note that uncertainty exists in the Group's ability to access funds and realise the current value of its assets.

Notwithstanding these uncertainties, the Directors believe it is appropriate to prepare the consolidated financial statements on a going concern basis as, and in the opinion of the Directors, the Company has adequate plans in place in order that its funding requirements in the foreseeable future can be met and that the Group will be in a position to continue to meet its minimum administrative, evaluation and development expenditures for at least twelve months from the date of this report. If further funds are not able to be raised or realised, then it may be necessary to sell some assets or further reduce exploration and administrative expenditures.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by Oilex in this condensed 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 2011.

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 condensed 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 2011.



ABN 50 078 652 632

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

5. OPERATING SEGMENTS

The Group has identified its operating segments based upon the internal management reports that are reviewed and used by the executive management team, including the Managing Director (the Group's chief operating decision maker), in assessing performance and in determining the allocation of resources.

| Six months ended 31 December | India | | Australia | | JPDA ⁽¹⁾ | | Indonesia | | Corporate | | Consolidated | |
|--|---------------|---------------|-------------|--------------|---------------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Revenue | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| External revenue ⁽²⁾ | 147,315 | 870,985 | - | - | - | - | - | - | - | - | 147,315 | 870,985 |
| Reportable segment profit/(loss before income tax) | (1,472,171) | (1,392,092) | 35,467 | (49,334) | (153,879) | (45,827) | (12,437) | (4,767) | (1,470,344) | (4,346,778) | (3,073,364) | (5,838,798) |
| Net finance income | | | | | | | | | | | 130,304 | 143,549 |
| Foreign exchange gain/(loss) | | | | | | | | | | | 319,686 | (2,802,630) |
| Loss for the period | | | | | | | | | | | (2,623,374) | (8,497,879) |
| Segment assets at 31 December | | | | | | | | | | | | |
| | 31 Dec 2011 | 30 June 2011 | 31 Dec 2011 | 30 June 2011 | 31 Dec 2011 | 30 June 2011 | 31 Dec 2011 | 30 June 2011 | 31 Dec 2011 | 30 June 2011 | 31 Dec 2011 | 30 June 2011 |
| Segment assets | \$ 24,101,983 | \$ 21,343,629 | \$ - | \$ - | \$ 356,872 | \$ 681,229 | \$ 8,663,133 | \$ 8,274,578 | \$ 9,949,794 | \$ 16,244,827 | \$ 43,071,782 | \$ 46,544,263 |

There were no significant inter-segment transactions during the year.

⁽¹⁾ Joint Petroleum Development Area.

⁽²⁾ Revenue in 2010 includes \$728,333 brought to account in December 2010 upon finalisation of the Cambay Field Crude Offtake Sales Agreement.

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

6. REVENUE AND EXPENSES

| | 31 December 2011 \$ | 31 December 2010 \$ |
|---|---------------------------|---------------------------|
| (a) Revenue | | |
| Oil sales | 147,315 | 870,985 |
| (b) Cost of Sales | | |
| Production costs | (220,687) | (167,209) |
| Amortisation of development assets | - | (4,851) |
| Movement in oil stocks inventory | (12,554) | (2,377) |
| | (233,241) | (174,437) |
| (c) Administration Expenses | | |
| Employee benefits expense | (347,777) | (185,398) |
| Administrative expense | (699,283) | (684,841) |
| | (1,047,060) | (870,239) |
| (d) Other Expenses | | |
| Depreciation expense | (64,400) | (97,456) |
| Impairment of development assets | - | (477,754) |
| Well abandonment expense | - | (11,928) |
| Impairment of inventory | - | (60,711) |
| Loss on assets | (65,717) | (228) |
| | (130,117) | (648,077) |
| (e) Foreign Exchange Gain/(Loss) | | |
| Foreign exchange gain/(loss) - realised | 4,657 | (274) |
| Foreign exchange gain/(loss) - unrealised | 315,029 | (2,802,356) |
| | 319,686 | (2,802,630) |

7. EXPLORATION AND EVALUATION

| | 31 December 2011 \$ | Year Ended 30 June 2011 \$ |
|--|---------------------------|----------------------------------|
| Exploration and evaluation | | |
| Opening balance | 22,394,942 | 23,281,236 |
| Expenditure capitalised | 4,957,722 | 6,995,534 |
| Effect of movements in foreign exchange rates | 1,296,676 | (5,164,939) |
| | 28,649,340 | 25,111,831 |
| Impairment of exploration and evaluation expenditure | - | (2,716,889) |
| Closing balance | 28,649,340 | 22,394,942 |



ABN 50 078 652 632

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

8. SHARE-BASED PAYMENTS

The Company has an established share option program that entitles directors, key management personnel and advisors 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 2011. In the six months ended 31 December 2011 further grants on similar terms were only made to employees.

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 2011. No performance rights have been granted since the year ended 30 June 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 2011.

The terms and conditions of the grants made during the six months ended 31 December 2011 are as follows:

| Grant Date | Number of Instruments | Vesting Conditions | Exercise Price | Contractual Life of Options |
|----------------------|-----------------------|--------------------|----------------|-----------------------------|
| OPTIONS | | | | |
| Employees | | | | |
| 1 August 2011 | 150,000 | Vest immediately | \$0.50 | 2 years |
| 1 August 2011 | 150,000 | Vest immediately | \$0.63 | 4 years |
| 21 November 2011 | 500,000 | One year | \$0.36 | 3 years |
| 21 November 2011 | 500,000 | Two years | \$0.46 | 6 years |
| Total Options | <u>1,300,000</u> | | | |

During the six months ended 31 December 2011, 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 |
|---|-----------------------|-------------------|----------------|
| OPTIONS | | | |
| Key Management Personnel - Directors | | | |
| 22 November 2007 | 3,900,000 | 1 July 2011 | \$2.00 |
| 22 November 2007 | 3,900,000 | 1 July 2011 | \$2.50 |
| Financiers and Advisors | | | |
| 25 July 2007 | 500,000 | 30 September 2011 | \$1.57 |
| Total Options | <u>8,300,000</u> | | |
| PERFORMANCE RIGHTS | | | |
| Employees | | | |
| 11 July 2008 | 43,000 | 1 July 2013 | - |
| Total Performance Rights | <u>43,000</u> | | |
| Total Options and Performance Rights | <u>8,343,000</u> | | |

As at 31 December 2011 Oilex Ltd had 34,075,000 unlisted options exercisable at prices of between \$0.30 and \$2.75 and 22,000 performance rights on issue.

**CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011**

8. SHARE-BASED PAYMENTS (CONTINUED)

Fair value of options granted during the six months ended 31 December 2011 has been determined using the following assumptions:

Options

| | | | | |
|--------------------------------|---------|---------|---------|---------|
| Fair value at measurement date | \$0.14 | \$0.19 | \$0.14 | \$0.19 |
| Share price | \$0.37 | \$0.37 | \$0.27 | \$0.27 |
| Exercise price | \$0.50 | \$0.63 | \$0.36 | \$0.46 |
| Expected volatility | 84.50% | 84.50% | 86.90% | 86.90% |
| Option life | 2 years | 4 years | 3 years | 6 years |
| Expected dividends | - | - | - | - |
| Risk-free interest rate | 4.75% | 4.75% | 4.50% | 4.50% |

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

9. EQUITY SECURITIES ISSUED

| | 2011 Number of Shares | 2010 Number of Shares |
|---|--------------------------|--------------------------|
| Issue of share capital | - | 30,000,000 |
| Exercise of options | 50,000 | - |
| Exercise of employee performance rights | - | - |
| | <u>50,000</u> | <u>30,000,000</u> |

| | 2011 Number of Shares | \$ Issued Capital |
|--|--------------------------|----------------------|
| Number of shares on issue 1 July 2011 | 253,274,885 | 130,043,957 |
| Issue of share capital | | |
| Allotment | 50,000 | 15,000 |
| Capital raising costs | - | (1,650) |
| Number of shares on issue 31 December 2011 | <u>253,324,885</u> | |
| Issued Capital as at 31 December 2011 | | <u>130,057,307</u> |

10. CONTINGENCIES

(a) Oilex Ltd has issued guarantees in relation to the lease of corporate offices in West Perth, as well as corporate credit cards. The bank guarantees amounts to AUD\$145,238. An equal amount is held in cash and cash equivalents as security by the banks.

(b) In June 2010 Oilex requested an extension to its Good Standing Agreement ("GSA") with the Australian Government on behalf of the Joint Venture partners for exploration permit EPP27 which the Joint Venture previously relinquished with the Australian Government's approval. Oilex's monetary share of the GSA is \$2,101,225. In July 2010, the Australian Government agreed to extend the GSA until the conclusion of the 2011 Australian Offshore Petroleum Exploration Release, including re-release of any 2011 areas, which have a bid closing date of 12 April 2012.

11. 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 2011.



ABN 50 078 652 632

CONDENSED NOTES TO THE CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

12. EXPENDITURE COMMITMENTS

Exploration and Evaluation Expenditure Commitments

In order to maintain 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 2011 | 30 June 2011 |
|--|---------------------|-------------------|
| Within one year | 2,173,807 | 2,424,974 |
| One year or later and no later than five years | 12,105,905 | 11,563,024 |
| | 14,279,712 | 13,987,998 |

Commitments later than one year includes work programme commitments in relation to the West Kampar Production Sharing Contract.

Further expenditure commitments for subsequent permit periods are contingent upon future exploration results. These cannot be estimated and are subject to renegotiation upon expiry of the exploration leases.

13. SUBSEQUENT EVENTS

There are no significant subsequent events occurring after balance date.



ABN 50 078 652 632

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 13, are 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 2011 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*; 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.

Signed in accordance with a resolution of the Directors.

Dr B H McCarthy
Managing Director

Mr B Clube
Finance Director

West Perth,
Western Australia

2 February 2012



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 condensed consolidated statement of financial position as at 31 December 2011, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 13 comprising a summary of significant accounting policies and other explanatory information 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 interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 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 2011 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 an 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 2011 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

KPMG

Graham Hogg
Partner

Perth
2 February 2012