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## QUARTERLY REPORT TO SHAREHOLDERS 31 DECEMBER 2006

### HIGHLIGHTS

- Government of India approved assignment of interests in **Bhandut, Sabarmati (Oilex 40% Operator) and Cambay Fields (Oilex 45%, Operator)**, onshore Gujarat, India.
- **2 wells drilled and suspended** in first phase drilling programme on Cambay Field with indications of hydrocarbons
- **Testing and completion** of Eocene EP IV potential reservoir interval in **Cambay-72 commenced January**
- 3D seismic acquisition over Cambay Field completed in early December
- Cambay 3D data set is excellent quality – **22 locations selected for potential phase 2 drilling programme of up to 8 wells in 2007**
- **2-3 wells planned in Block 56**, Oman Q3 2007
- 8 prospects mapped with potential volumes of 40 to 150 million barrels of oil in place on EPP 27
- Negotiations continuing for drilling rig for EPP 27, offshore Otway Basin
- Retain **cash resources of approximately A\$14.8 million**

#### CORPORATE DETAILS

##### Board of Directors

Max D.J. Cozijn	Non-Executive Chairman
Bruce McCarthy	Managing Director
Ray Barnes	Technical Director
L. L. Bhandari	Non-Executive Director

##### Capital Structure

Ordinary Shares	76,883,885
Unlisted Options	26,025,100

##### Stock Exchange Listing

Australian Stock Exchange  
ASX Code: OEX  
AIM Market of London Stock Exchange  
AIM Code: OEX

##### Principal & Registered Office

Level 3, 50 Kings Park Road  
West Perth WA 6005, Australia  
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##### Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153, Australia  
Telephone: +61 8 9315 2333  
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## OPERATIONS REVIEW

### INDIA

*Oilex holds material interests in 3 oil and gas field redevelopment projects onshore India*

### ASSIGNMENT OF INTEREST – CAMBAY, BHANDUT, SABARMATI

The Government of India approved the assignment of 40% interest in the Bhandut and Sabarmati Production Sharing Contracts (“PSC”) to Oilex and 23.33% interest in the Cambay PSC, of which Oilex agreed to assign 8.33% to Gujarat State Petroleum Corporation Ltd (“GSPC”). The last of these assignments is pending Government approval.

Interests in each of the PSC’s is:

Joint Venture Party	Cambay PSC <sup>1</sup>	Bhandut PSC	Sabarmati PSC
Oilex (Operator)	45%	40%	40%
GSPC	55%	60%	60%

1. Oilex acquired an additional 23.33% equity interest in the Cambay PSC from Niko and GSPC acquired an additional 8.33% equity interest in the Cambay PSC from Oilex.

*Testing and completion of Cambay-72 Eocene potential reservoir interval commenced*

### OPERATIONS - CAMBAY FIELD, GUJARAT

#### OILEX OPERATOR 45%

#### PHASE 1 DRILLING PROGRAMME

The rig and equipment required for the completion of the **Cambay-72** well at the level of the Eocene EP IV potential reservoir interval have been procured and operations commenced on 23 January with a short wireline logging programme that will be followed by a cased hole test. In the event that these tests in Cambay-72 are successful, the well will be placed on production and the testing of the shallower potential oil and gas bearing zones will be postponed to a later date.

The test and completion phase of the operations is expected to take up to 20 days, dependent on interim results.

Cambay-72 spudded on 11 September 2006 and reached total depth (TD) of 1767 metres on 25 September 2006 at which point 5<sup>1</sup>/<sub>2</sub>” casing was cemented in place and it was suspended. Cambay-71 followed in the sequence and was drilled to 1608m at which point it was suspended. The results from the testing and completion of the Eocene section at Cambay-72 will assist the JV in determining the preferred completion strategy for Cambay 71. It is planned to test the shallower horizons in both wells if they are not converted to production from the Eocene.

The **Cambay-71** well spudded on 29 September and reached the planned total depth (TD) of 1600m on 08 October. The well is located on the flank of the northern culmination of the Western High structure about 800 metres to the northeast of Cambay-72 and intersected a geological section in the Oligocene and Miocene similar to Cambay-72. Wireline logging and other formation evaluation programmes were carried out in Cambay-71. Attempts to acquire good quality pressure and fluid data failed, partly due to mechanical failure of tools and partly because of very friable sandstone plugging the tools.

*3D seismic data is of excellent quality*

#### 3D SEISMIC SURVEY

Oilex acquired a 3D seismic survey over the entire Cambay contract area at the end of 2006. The data are in the final stages of processing and we have completed mapping of 10 horizons on the interim processed data. The quality of the data is excellent. Fault patterns and deep seismic events are much more clearly defined on the new data and indicate some significant new plays that were not identifiable on the old data.





	<p>The objective of the workover programme is to improve the production rate from Bhandut Field with the sidetrack or workover of Bhandut-6 and drilling of one additional well. The well location would be based on new, high resolution seismic data and a contract has been awarded to Geofizyka Toruń, the same contractor that acquired the Cambay 3D survey, for the acquisition of a 3D seismic survey over the Bhandut block area. Acquisition is expected to be completed by the end of April 2007. These data will be used to refine our redevelopment plan for the field.</p>
<p><b>OMAN</b></p> <p><i>2-3 wells planned to be drilled early in 3<sup>rd</sup> quarter 2007</i></p>	<p><b>BLOCK 56 SOUTH OMAN</b> (OILEX OPERATOR – 25%)</p> <p>Reprocessing of the existing seismic data base has commenced with trials being carried out by various seismic contractors. Results will be used in preparing specifications for the acquisition programme which is planned to commence in early 2007, subject to availability of crews.</p> <p>In the western part of the block, on the flank of the South Oman Salt Basin, there is a significant area covered by 3D and dense 2D seismic surveys. Mapping of those data indicates several targets that could be drilled on the existing data base. Seven potential well locations in this area and along the main salt wall trend in the east central part of the block are being evaluated with the aim of selecting 2-3 for drilling in Q3 2007.</p> <p>Oilex has appointed a Project Office Manager, Adil Said and a Finance Manager V, Ganesh, based in the Project Office in Muscat.</p>
<p><b>AUSTRALIA</b></p> <p><i>8 prospects mapped with range of potential volumes of 40-150 million barrels of oil in place</i></p> <p><i>Negotiations for a well slot under way</i></p>	<p><b>EPP 27 – OTWAY BASIN OFFSHORE SOUTH AUSTRALIA</b> (OILEX OPERATOR earning 20%)</p> <p><b>Seismic Acquisition and Interpretation</b> - The “Christine” 2D seismic survey has been completed and interpreted. Approximately 1300 line kilometres of data were acquired, extending an existing seismic grid and covering eight leads identified in the southeastern part of the permit. The interpretation of the integrated data set confirms the leads mapped previously and these have been elevated to prospect status. Eight prospects in water depths of 70-105 metres have been mapped in the southeastern sector of the block where reactivation and intensity of faults is less severe. Prospects are in the range of 40-150 mmstboip.</p> <p>The survey is the first phase of the work programme that Oilex, GSPC and Videocon Industries Ltd (“Videocon”) are conducting as part of the farm-in agreement signed with Great Artesian Oil &amp; Gas Ltd (“GOG”) in February. Oilex, Videocon and GSPC are funding the seismic programme 33.3% each as part of their commitment to earn 20% each in the permit. GOG holds the balance of 40% equity in the permit.</p> <p><b>Rig Contract</b> – Oilex is in negotiations with drilling contractors as a member of a consortium of Operators in the southeastern Australian basins, to deliver a rig that would guarantee a slot for a well in EPP 27 late 2007 or early 2008. Discussions are continuing in the face of very heavy demand and a shortfall in supply of offshore rigs worldwide.</p> <p><b>Permit Term</b> – An application for extension of the permit term has been submitted to the Designated Authority in South Australia (PIRSA). The basis of the request for seeking a further extension to the EPP 27 permit is the difficulty in securing a rig. We anticipate that a decision will be forthcoming through PIRSA in the near future.</p>



<p><i>Work to start late 2008</i></p>	<p><b>WA-388-P CARNARVON BASIN, OFFSHORE WESTERN AUSTRALIA</b> (OILEX OPERATOR – 20%)</p> <p>WA-388-P was offered in the bid round that closed on 26 April 2006 as block W05-11. It is located to the north of the Goodwyn / North Rankin gas fields trend and to the northeast of the Jansz-lo gas discoveries in the Exmouth Sub-basin.</p> <p>The JV comprises Oilex (Operator, 20%), GSPC (20%), Videocon (20%), Hindustan Petroleum Corporation Ltd (“HPCL” 20%) and Bharat Petroleum Corporation Ltd (“BPCL” 20%).</p> <p>The work programme comprises reprocessing of existing seismic data and acquisition of 3D seismic over parts of the block, anticipated to commence in 2008.</p>
<p><b>JOINT PETROLEUM DEVELOPMENT AREA BETWEEN TIMOR-LESTE AND AUSTRALIA</b></p>	<p><b>JPDA 06-103, FLAMINGO BASIN OFFSHORE JOINT PETROLEUM DEVELOPMENT AREA</b> (OILEX OPERATOR – 25%)</p> <p>The Production Sharing Contract (“PSC”) for the offshore permit JPDA 06-103 located in the northern part of the Joint Petroleum Development Area was signed at a ceremony in Dili, Timor-Leste on 16 November 2006. The effective date of the PSC is 15 January 2007.</p> <p>The block was offered in a competitive bidding round that closed on 26 May 2006. It is located immediately to the east of the Laminaria, Corallina, Kakatua, Kuda Tasi and Elang discoveries/oil and gas fields and to the north of the Bayu-Undan gas condensate field.</p> <p>The successful bidding group comprises Oilex (Operator, 25%) and major Indian companies GSPC (25%), Videocon (25%) and BPCL (25%). This award completes another element of the company’s stated strategy of acquiring high quality exploration acreage in countries around the Indian Ocean rim in joint ventures with its Indian alliance members.</p> <p>The Timor Sea Designated Authority was created on 2 April 2003, pursuant to the Timor Sea Treaty between the Governments of Timor-Leste and Australia. The role of the TSDA is to administer the Joint Petroleum Development Area (JPDA) on behalf of the Governments of Timor-Leste and Australia.</p>
<p><i>Oilex sells onshore Queensland interests to Bow for securities in Bow</i></p>	<p><b>ONSHORE QUEENSLAND</b></p> <p>The shareholders of Bow Energy Limited approved the purchase of Oilex’s Queensland assets at a meeting of shareholders held on 31 October 2006. Oilex received, as consideration for the sale of these assets, 13.3 million fully paid ordinary shares and 13.3 million options to purchase Bow shares at 50 cents per share on or before 5 years from the issue date. Oilex’s holding in Bow represents approximately 12.3% of Bow’s issued capital (undiluted) and approximately 22% (diluted). The securities are escrowed for a period of 2 years from the date of issue.</p> <p>Pre-emptive rights pertaining to Oilex’s remaining interest in ATP 548P (11.35%) remain to be resolved.</p>
<p><b>CORPORATE</b></p>	<p><b>GENERAL MEETING OF SHAREHOLDERS</b></p> <p>At the Annual General Meeting of the company held on 23 November 2006, shareholders passed, on a show of hands, all of the resolutions put to the General Meeting.</p>



<b>Net cash resources of A\$14.8 million</b>	<p>The Company presently has 76,883,885 shares on issue. These shares are traded on the ASX in Australia and on the AIM market of the London Stock Exchange under the code: <b>OEX</b>.</p> <p>Oilex also has 26,025,100 unlisted options on issue, the majority of these being held by Executive staff.</p> <p>At 31 December 2006, the Company retained net cash resources of approximately A\$14.8 million</p>
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Oilex regularly updates its website at [www.oilex.com.au](http://www.oilex.com.au)

For and on behalf of the Board

**Dr B. H. McCarthy**  
**Managing Director**  
**31 January 2007**

*The information in this report has been compiled by the Managing Director of Oilex Ltd, Bruce McCarthy B.Sc. (Hons), PhD (Geology) who has over 27 years experience in the oil and gas exploration and production industry.*



## PERMIT SCHEDULE

### Australian Joint Ventures:

PERMIT	BASIN	PARTIES	% HELD	OPERATOR
EPP 27 Note 5	Otway (Offshore)	Oilex Ltd	20.00	Oilex
		Gujarat State Petroleum Corporation Ltd	20.00	
		Videocon Industries Limited	20.00	
		Great Artesian Oil & Gas Ltd	40.00	
WA-388-P	Carnarvon (Offshore)	Oilex Ltd	20.00	Oilex
		Gujarat State Petroleum Corporation Ltd	20.00	
		Videocon Industries Limited	20.00	
		Bharat Petroleum Corporation Ltd	20.00	
		Hindustan Petroleum Corporation Ltd	20.00	

Note 5: Oilex, Gujarat State Petroleum Corporation Ltd and Videocon Industries Limited are each earning 20% interest in return for funding 33.33% each of an agreed work programme.

### International Joint Ventures:

PERMIT	COUNTRY/ STATE	PARTIES	% HELD	OPERATOR
Cambay Field	India / Gujarat (Onshore)	Oilex NL Holdings (India) Limited <b>Note 6, 7, 8</b>	45.00	Oilex
		Gujarat State Petroleum Corporation Ltd	55.00	
Bhandut Field	India / Gujarat (Onshore)	Oilex NL Holdings (India) Limited <b>Note 6, 7</b>	40.00	Oilex
		Gujarat State Petroleum Corporation Ltd	60.00	
Sabarmati Field	India / Gujarat (Onshore)	Oilex NL Holdings (India) Limited <b>Note 6, 7</b>	40.00	Oilex
		Gujarat State Petroleum Corporation Ltd	60.00	

Block 56	Oman (Onshore)	Oilex Ltd	25.00	Oilex
		Videocon Industries Limited	25.00	
		GAIL (India) Limited	25.00	
		Hindustan Petroleum Corporation Ltd	12.50	
		Bharat Petroleum Corporation Ltd	12.50	

JPDA 06-103	Joint Petroleum Development Area between Timor-Leste & Australia (Offshore)	Oilex (JPDA 06-103) Ltd <b>Note 6</b>	25.00	Oilex
		Videocon Industries Limited	25.00	
		Gujarat State Petroleum Corporation Ltd	25.00	
		Bharat Petroleum Corporation Ltd	25.00	

Note 6: wholly owned subsidiary of Oilex Ltd

Note 7: pending completion of agreement with Niko Resources Ltd

Note 8: pending approval by Government of India of the assignment of 30% participating interest held by Oilex Ltd to Oilex NL Holdings (India) Ltd.

**APPENDIX 5B****MINING EXPLORATION ENTITY QUARTERLY REPORT**

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Oilex Ltd

ABN

50 078 652 632

Quarter ended ("current quarter")

31 December 2006

**Consolidated statement of cash flows****Cash flows related to operating activities**

	Current quarter	Year to date
	\$A'000	(6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	35
1.2 Payments for		
(a) exploration and evaluation	(304)	(716)
(b) development	(2,410)	(4,098)
(c) production	-	-
(d) administration	(1,037)	(1,961)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	307	464
1.5 Interest and other costs of finance paid	(127)	(265)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(3,571)</b>	<b>(6,541)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(227)	(277)



1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	(227)	(277)
1.13	Total operating and investing cash flows	(3,798)	(6,818)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	100	18,346
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	100	18,346
	<b>Net increase (decrease) in cash held</b>	(3,698)	11,528
1.20	Cash at beginning of quarter/year to date	18,488	3,266
1.21	Exchange rate adjustments to item 1.20	4	-
1.22	<b>Cash at end of quarter</b>	14,794	14,794

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	163
1.24	Aggregate amount of loans to the parties included in item 1.10	-
1.25	Explanation necessary for an understanding of the transactions	



## Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A
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## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	5,000	5,000
3.2 Credit standby arrangements	-	-

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,250
4.2 Development	3,750
<b>Total</b>	<b>5,000</b>

## RECONCILIATION OF CASH

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,271	535
5.2 Deposits at call	13,523	17,953
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>14,794</b>	<b>18,488</b>



## Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Refer to Permit Schedule in Quarterly Report		
6.2	Interests in mining tenements acquired or increased	Refer to Permit Schedule in Quarterly Report		

## Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> (description)	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>*Ordinary securities</b>	76,883,885	76,883,885	Various	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	19,566 250,000	19,566 250,000	\$1.32 \$0.40	- -
7.5 <b>*Convertible debt securities</b> (description)	-	-	-	-



7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	<b>Options</b> (description and conversion factor)			<b>Exercise price</b>	<b>Expiry date</b>
		2,200,000	-	\$0.20	28/02/2008
		500,000	-	\$1.00	31/12/2009
		3,000,000	-	\$1.50	31/12/2009
		1,000,100	-	\$0.50	07/12/2008
		2,000,000	-	\$0.40	14/12/2008
		3,250,000	-	\$0.50	14/12/2008
		4,250,000	-	\$0.80	14/12/2008
		1,000,000	-	\$0.50	16/02/2009
		4,500,000	-	\$0.50	31/03/2010
		775,000	-	\$0.50	31/07/2009
		775,000	-	\$0.65	31/07/2009
		775,000	-	\$0.90	31/07/2010
		250,000	-	\$0.45	31/07/2009
		250,000	-	\$0.55	31/07/2009
		500,000	-	\$1.50	31/10/2009
		500,000	-	\$1.75	31/10/2009
		500,000	-	\$2.00	31/10/2010
7.8	Issued during quarter	500,000	-	\$1.50	31/10/2009
		500,000	-	\$1.75	31/10/2009
		500,000	-	\$2.00	31/10/2010
7.9	Exercised during quarter	250,000	-	\$0.40	14/12/2008
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> (totals only)	Nil	Nil		
7.12	<b>Unsecured notes</b> (totals only)	Nil	Nil		



## COMPLIANCE STATEMENT

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:   
\_\_\_\_\_  
(Director/Company Secretary)

Date: 31 January 2007

Print name: Max Dirk Jan Cozijn