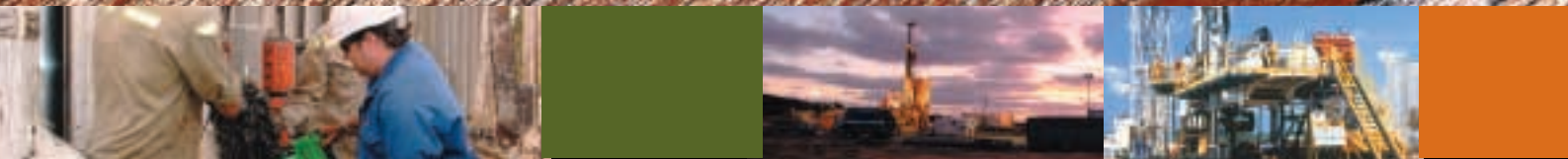




# OILEX NL

ABN 50 078 652 632

## ANNUAL REPORT 2004



Dear Sir,

ASX query response 6 July 2004.

In response to your fax today, the answers to your questions are:

1. No.
2. N.A.
3. No. Oilex is run for the benefit of its shareholders. The purpose of Oilex is to make commercial oil discoveries.
4. Oilex is in compliance with the listing rules and, in particular, listing rule 3.1.

Yours faithfully,

David Archibald

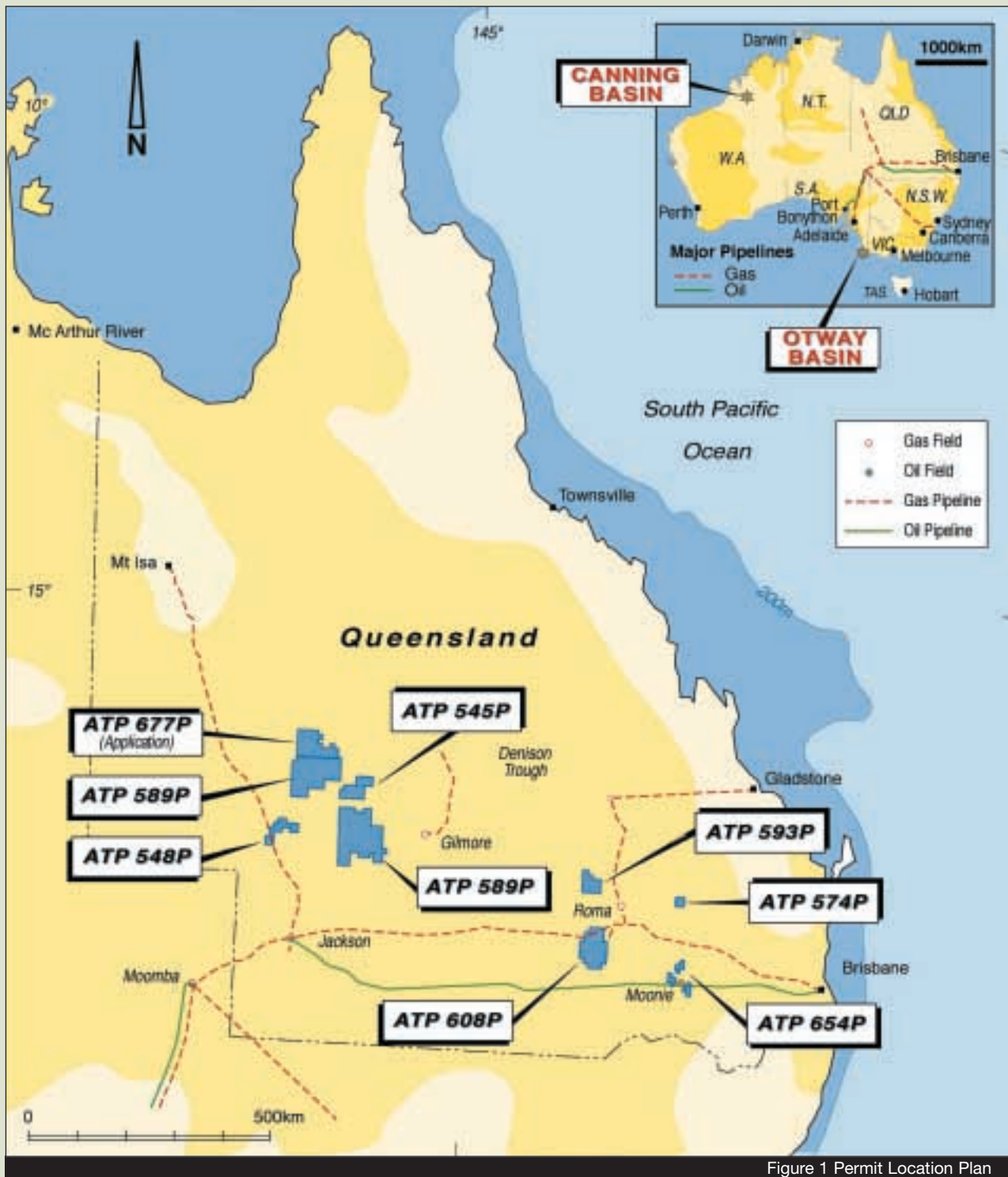


Figure 1 Permit Location Plan



OILEX NL  
 ABN 50 078 652 632  
 EIGHTH ANNUAL REPORT AND FINANCIAL STATEMENTS  
 30 JUNE 2004  
 Incorporated under the Corporations Law in the State of Victoria on 2 June 1997

# CORPORATE INFORMATION

## Directors

M.D.J. Cozijn B.Com. ASA  
– *Chairman*

D.C. Archibald B.Sc. Hons (Geology)  
– *Managing Director*

G.I. Johnson B.Sc. (Hons), PhD (Geology)  
– *Director*

## Company Secretary

M.D.J. Cozijn B.Com. ASA

## Registered Office

Level 2, 50 Kings Park Road  
WEST PERTH WA 6005

Telephone: +618 9226 5577  
Facsimile: +618 9226 2108

## Postal Address

PO Box 588  
WEST PERTH WA 6872

## Auditors

Grant Thornton  
256 St Georges Terrace  
PERTH WA 6000

## Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
APPLECROSS WA 6153

## Solicitors Perth

Deacons  
Level 31, BankWest Tower  
108 St Georges Terrace  
PERTH WA 6000

## Stock Exchange Listing

The Company's shares are listed under the code OEX on the Australian Stock Exchange Limited

## Annual General Meeting

The Annual General Meeting of Oilex NL will be held at the Celtic Club, 1st Floor, 48 Ord Street, West Perth Australia at 4.00pm on Monday 29 November 2004.

## Website

Visit our website (which is updated regularly) at:  
[www.oilex.com.au](http://www.oilex.com.au)

**Email address:** [oilex@oilex.com.au](mailto:oilex@oilex.com.au)

## CONTENTS

	Page No.
Executive Summary – Highlights	2
1. Chairman's Review	3
2. Managing Director's Letter	4
3. Operations Review	5
4. Corporate Governance Statement	14
5. Directors' Report	16
6. Statement of Financial Performance	19
7. Statement of Financial Position	20
8. Statement of Cash Flows	21
9. Notes to the Financial Statements	22
10. Directors' Declaration	40
11. Independent Audit Report	41
12. Shareholder Information	43
Notice of Annual General Meeting and Proxy Form	INSERT

## EXECUTIVE SUMMARY

# HIGHLIGHTS

### ROOKWOOD DISCOVERY WELL

- In less than 12 months since ASX listing, Oilex had its first oil discovery in ATP 608P in the Surat Basin, upon the drilling of Rookwood South-1 well.
- The well has been cased and construction of production facilities has commenced.
- First Oil receipts expected by end of October 2004.
- Over 20 leads and prospects remain to be tested north of the Rookwood Field in ATP 608P.
- Oilex holds 59.06% of the Rookwood Block containing the Rookwood Field, and 66.75% of the remainder of ATP 608P.

### ACTIVE DRILLING

- Oilex has participated in the drilling of 5 wells in its first 12 months of operation, 4 as operator.
- Increasing equity through drilling.
- Anticipate active drilling programs for 2004/2005 year.

### ATP 589P EROMANGA BASIN

- Anticipate access to ATP 589P Permit in the Eromanga Basin upon finalization of Native Title claims by early 2005.
- Plan to drill prospective Barcoo Junction North (88% interest) first half 2005.
- Reprocess data for rest of ATP 589P permit to delineate additional drilling targets.

### OTWAY BASIN EPP 27

- Working up drilling targets in Otway Basin Permit EPP 27 for drilling first half 2005.

### STRATEGY

- Oilex's aim is to create wealth for shareholders through low risk, high reward drilling of attractive oil prospects, while maintaining a tight capital structure to maximize shareholders' leverage to exploration success.
- Generate early cashflows from Rookwood (and other discoveries) to fast track development of positive cashflow to enable Oilex to become self funding.



## CHAIRMAN'S REVIEW

It gives us great pleasure to advise that within one year of listing Oilex, as operator, has struck oil in the Surat Basin of Queensland, with the drilling of Rookwood South-1 Well located in ATP 608P. This discovery well was initially measured to flow at 352 barrels of oil per day. The well has been cased and is being prepared for production testing. Oil produced will be pumped into site based storage and delivered for sale. This should see Oilex achieve its first oil revenues within the next few months.

Oilex successfully completed its IPO Prospectus raising of \$2.8 million (at 20 cents per share), and listed on the Australian Stock Exchange Limited ("ASX") on 24 October 2003.

As previously stated, Oilex's aim is to create wealth for shareholders through the drilling of low risk/ high reward oil and gas prospects, while maintaining a tight capital structure.

During the financial year Oilex participated in the drilling of 2 wells in ATP 574P and ATP 548P, followed by 3 additional wells back to back, in August 2004 on ATP 545P and in September 2004 with the drilling of ATP 608P and ATP 593P. Oilex was operator on 4 of the 5 wells and negotiated additional equity in all cases. Wherever possible, Oilex has sought to maximize its earning position while judiciously defraying some of its drilling costs by attracting joint venture participants.

Oilex has also sought to expand its exploration efforts outside of the Surat and Eromanga Basins, and has recently announced a farm-in to EPP 27 in the Otway Basin. While this is an offshore target area, previous detailed seismic work has identified more than 20 prospects and leads, most involving multiple potential reservoir targets.

Oilex's priority over the coming year is to continue to drill prospects in ATP 608P to delineate further recoverable oil resources which may enable Oilex to become self funding from its oil production. The attraction of ATP 608P is that wells can be economically drilled and brought into production in a short time. At the same time Oilex will progress the development of additional prospects and leads on its other permits. At ATP 589P we are presently awaiting finalization of the native title agreement, with in principal agreement having been reached. This should see this title being granted by early next year, with the prospect of drilling in the first half of 2005. We are presently reprocessing data and developing suitable drill targets, including the Barcoo Junction North and Moothandella prospects.

Oilex anticipates a continuation of its drilling activities over the coming year, with a number of wells in the Surat and Eromanga Basins, in addition to a well in the Otway Basin. The Otway will require additional funding support, which is currently being addressed.

For a new junior exploration company such as Oilex, we have achieved a lot in a short time, with our share price increasing by 400% upon the Rookwood discovery. David Archibald as Managing Director is to be congratulated in achieving this early success, and I am confident that with the enthusiasm, skills and spread of existing permits that have been developed, Oilex is well poised to grow and increase shareholder value over the ensuing 12 months.

We look forward to your continued participation and thank you for your support.

Yours sincerely,



**Max Cozijn**  
**CHAIRMAN**

30 September 2004



Mitchell Drilling Rig 151 –  
Rookwood South-1

---



## MANAGING DIRECTOR'S LETTER



Dear Fellow Shareholders,

Oilex's beginnings were ever so humble. After a difficult gestation and troubled birth, Oilex emerged on 24 October, 2003 with no staff, little money and minor, non-operating interests in what was widely considered to be hard scrabble acreage. Before these origins are forgotten in the tumult that awaits us in the coming year, I thank Mr Greg Plummer and Mr Tony Bigum for their critical support in the seed process. I also thank Mr Jack Mulready.

What the shareholders can be proud of is that, in less than a year since listing, Oilex operated four wells and participated in a fifth well while salaries totaled less than \$100,000. Our Company is possibly the most efficient oil exploration company on the planet. Fortunately, we can claim to be more than just a cheap operator of dry holes.

The Rookwood discovery is expected to provide a cash flow that will enable a dramatic escalation of activity. Further dilution of shareholder's equity should be minimal. We are also fortunate that Mr Wallace Westman has agreed to oversee Oilex's drilling operations.

The Rookwood discovery was followed immediately by the Company's farmin to EPP 27. I consider EPP 27 to be the most prospective offshore permit in Australia. A densely faulted Atlantic margin-style terrain is combined, in the southeastern end of the permit, with an optimal sand/shale ratio to produce a target rich environment. Manifold indications of gas in sand reservoirs are documented from the seismic over the permit. Despite the substantial value that this gas, if validated by drilling, represents, it remains second prize to the liquids potential of the permit.

In the year to come, Oilex will sniff the salty breeze of the Otway Basin, probe the forbidding desert wastelands of the Canning Basin, revisit the endless grassy plains of the Eromanga Basin, and perforate ATP 608P in the Surat Basin. Some have lost faith in our great adventure, others have joined us. Some observers weigh our achievements purely in terms of personal gain, others ascribe our good fortune to mere happenstance. None of this matters a whit. Our strategy of having high equity positions in high quality acreage which we operate has borne early fruit. We will stay that course.

Oilex is entering the 2005 year with a good position in what I consider to be the best onshore and offshore acreage in Australia. We are now masters of our own destiny in exploration and production. We have, within our grasp, the great prize of EPP 27. In all my many years as an analyst of the fortunes of companies, I have not encountered a company as rich in opportunity as Oilex is now.

Until this moment, I have conducted most of the Company's operations myself: the staking of wellsites, the selection of drill bits, the supervision of earthmoving and the myriad other tasks required for an efficient drilling campaign. The optimization of the Company's resource base now dictates that the ranks of its officers swell to accommodate the needs of production and an expanded exploration effort. It is likely that Oilex will be operating up to three drilling rigs simultaneously by the second quarter of 2005.

Lastly, before their efforts recede into distant memory, I thank the happy band who drilled our wells during the year: Wally the drilling supervisor, Mick the toolpusher, John the wellsite geologist, Ted the mudlogger and Dean the mud engineer.

I look forward to reporting the results of the 2005 drilling campaign.



**David Archibald**  
Managing Director

## OPERATIONS REVIEW

### INTRODUCTION

Oilex NL achieved listing on the Australian Stock Exchange Limited (“ASX”) on 24 October 2003 after successfully completing an IPO Prospectus raising of \$2.78 million.

Oilex’s objective is to generate wealth for shareholders through the discovery of commercial oil fields.

The Company participated in the drilling of 2 wells in the 2004 financial year, with a total of 5 wells drilled within 12 months of achieving ASX listing on 24 October 2003. The first well was Giligulgul North-1 Well in ATP 574P where Oilex currently holds a 34.5% interest, and the Morney North-1 Well in ATP 548P where Oilex has earned a 10% interest. During August 2004, Oilex completed the Connolly-1 Well in ATP 545P earning a 45.5% interest. This was followed in September by the Rookwood South-1 discovery well in ATP 608P and the drilling of Don Juan North-1 Well in ATP 593P.

The bulk of Oilex’s Permit interests are located in the Cooper/Eromanga and Surat Basins in Queensland [Refer Figure 1].

### PERMIT REVIEWS

Oilex holds various Permit interests as disclosed in the Tenement Schedule.

### SURAT BASIN

#### ATP 574P – Giligulgul North-1 Well (34.5%)

Oilex became operator of this permit in December 2003 and drilled the Giligulgul North-1 well in February 2004. This well was on a location interpreted to be updip from the Giligulgul-1 well drilled by Union Oil Development in 1964, which had intersected oil in core from the top of the Precipice Sandstone. Good fluorescence was encountered at the top of the Precipice Sandstone in Giligulgul North-1. This zone recovered fresh water on test, suggesting that the oil shows were residual.

The remaining potential tops of Precipice closures in this block are small relative to the potential of prospects in Oilex-operated acreage on the western flank of the Surat Basin and in the Eromanga Basin. There has been oil production from the Conloi-1 field, hosted by a sand in the Evergreen Formation, in ATP 574P. Interpretation of the field production history suggests that Conloi-1 drained a small fault block, perhaps 300 metres long by 200 metres wide.

Interpretation of seismic through Conloi-1 indicates that a much larger fault block is adjacent to the east. Oilex is seeking to rationalise its holding by acquiring a further 23% from private interests (subject to shareholder approval). Further data reprocessing and drill target selection will be undertaken.

#### ATP 608P – Rookwood South-1 Well (59.06% Rookwood Block, 66.75% Stratton Block)

Oilex farmed in to earn additional equity in this permit in May 2004 and increased its equity on a 100 for 60 basis by drilling Rookwood South-1. As with Connolly-1, Oilex farmed out a small part of its equity to defray part of the cost [Figure 2].

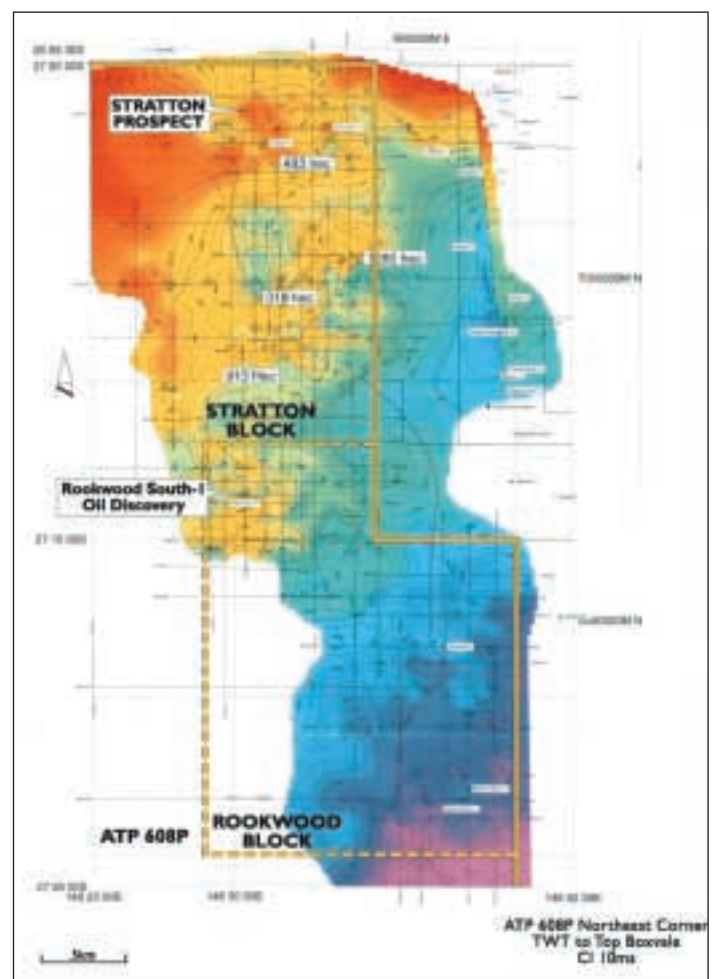


Figure 2 Surat Basin - ATP 608P North East Corner

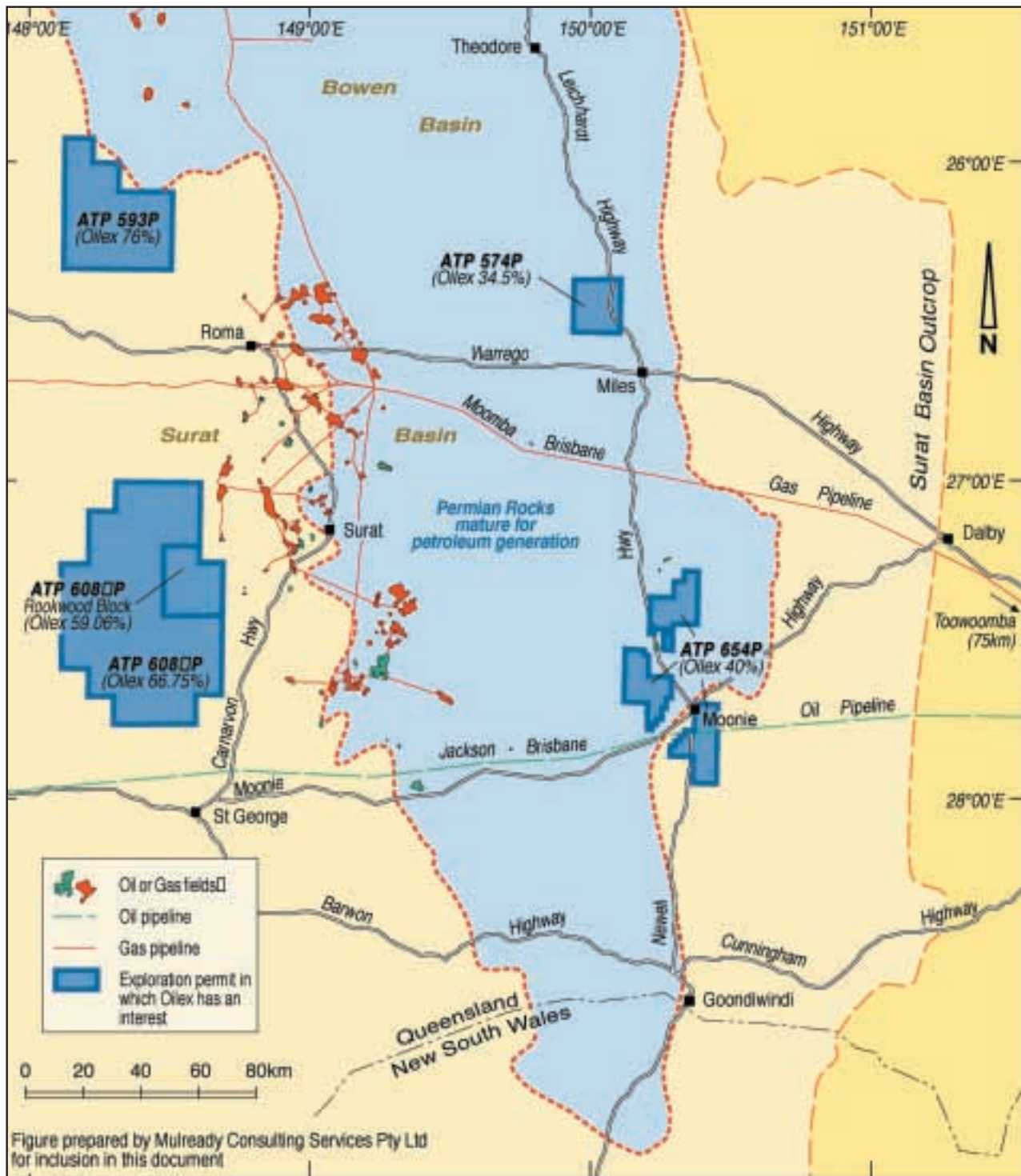


Figure 3 Surat and Bowen Basin Permit Location Plan



First oil – Rookwood South-1 ATP608P

Within 12 months of listing on the ASX, Oilex had its first oil discovery on ATP 608P. The Rookwood South-1 well was spudded on 2 September 2004, reaching its target depth of 1419 metres on 8 September. Analysis of the Rookwood South DST results suggests a potential production rate on pump of up to 447 BOPD. Well casing has been completed with production anticipated to commence in late October 2004.

The discovery brings in a new oil trend west of the existing Surat Basin producing areas. ATP 608P contains a number of leads similar to Rookwood, north and south on this trend, which will form future drilling targets. Further work proposed in ATP 608P involves reprocessing and remapping seismic to the north of Rookwood South-1 to firm up more prospects.

Oilex considers that ATP 608P is virtually unexplored. The play type in the permit is drape of the Boxvale Sandstone over basement highs, or pinchout of the Boxvale Sandstone against basement highs sealed by the Evergreen Formation.

#### **ATP 593P – Don Juan North-1 Well (76%)**

Oilex farmed into this permit to earn additional equity in May 2004 and increased its equity from 40% to 76% on a 100 for 60 basis by drilling Don Juan North-1. Don Juan-1, drilled by Oil Company of Australia in 1987, had very good shows in the Hutton and Precipice Sandstones [Figure 3].

Oilex reprocessed the seismic over the Don Juan North-1 prospect, including PSDM on lines R86-203 and R86-202, to ensure that the well was located on the crest of the structure.

The Don Juan North-1 was spudded on 17 September. The primary target was the Precipice Sandstone with a total depth of approximately 750 metres. Mapping of the Don Juan structure following reprocessing of seismic lines indicated 8 metres of closure updip from Don Juan-1, which tested good fluorescence at the Precipice Sandstone and Hutton Sandstone levels.

Don Juan North-1 reached a depth of 715 metres on 22 September. Drill Stem Test 2 over the interval 614 to 617 metres recovered water. The well was plugged and abandoned.

The oil shows in Don Juan North-1 indicate that oil has migrated into the permit. This, combined with the en echelon structuring along the Merivale Fault and the shallow drilling depths, makes ATP 593P attractive for oil exploration. Relative to its potential, ATP 593P is virtually unexplored.

#### **ATP 654P**

No work has been undertaken in this permit. Oilex is likely to elect to farm out to be carried for the next programme of work in this permit [Figure 3].

## **EROMANGA BASIN**

#### **ATP 545P – Connolly-1 Well (45.5%)**

Oilex farmed into this block in May 2004, under a deal in which it would earn up to 55% of the permit by drilling a well to basement or 1,800 metres. The farmor, Roma Petroleum, would contribute \$100,000 to the well cost upon the well reaching basement or 1,800 metres. Oilex subsequently farmed on 9.5% equity in ATP 545P to defray its exposure [Figure 4].

Connolly-1 was spudded on 10 August 2004 and drilled to a depth of 1732 metres on 23 August. Wireline logs were run prior to plugging and abandoning the well.

Oilex and its joint venture partners in ATP 545P anticipate conducting a seismic programme to generate prospects for future drilling.

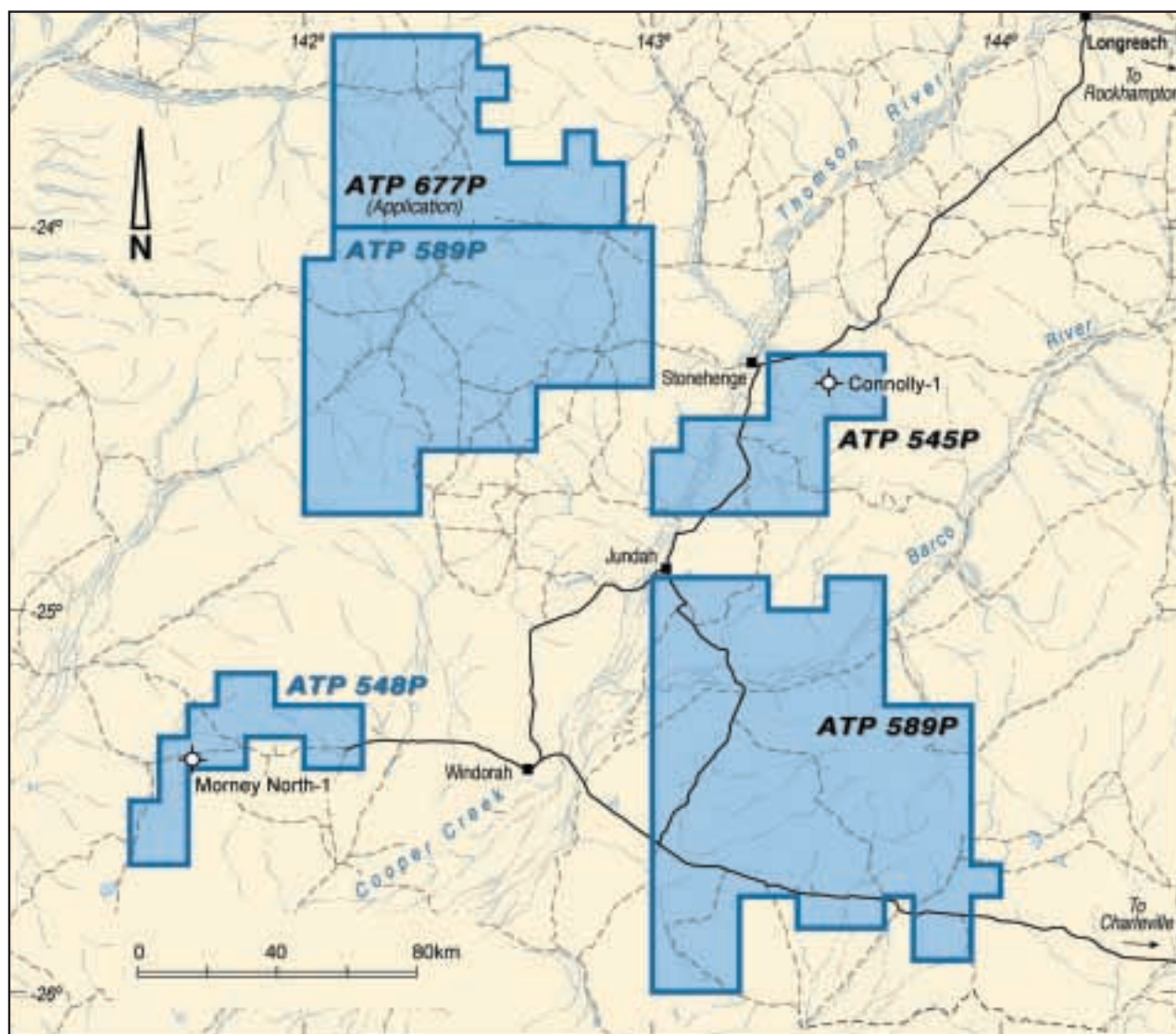


Figure 4 ATP 454P Connolly-1 Well (45.5%) and ATP 548P Morney North-1 Well (10%)

**ATP 548P- Morney North-1 Well (10%)**

Oilex farmed into this permit to earn a 10% interest in the permit by contributing 20% of the cost of the Morney North-1 well. That well reached Total Depth of 1,985 metres on 30 April and was plugged and abandoned by the operator Inland Oil. Oilex is reviewing the results of this well with a view to determining ongoing prospectivity [Figure 4].

**ATP 589P – Various Blocks & Prospects (10% to 88%)**

Oilex is presently awaiting finalisation of the Native Title agreement for ATP 589P, with in principal agreement having been reached. Seismic or drilling activity in this permit cannot be undertaken until Native Title is resolved. Oilex expects title to be granted by early 2005, with the prospect of drilling in the first half of 2005. In the interim, and in preparation for drilling activity, Oilex has reprocessed and remapped seismic

over the Barcoo Junction North prospect and reprocessed selected seismic lines over the Moothandella structure. Pre Stack Depth Migration (PSDM) was also used to eliminate the distortion caused by seismic interval velocity gradients in the Mesozoic section.

The work shows that the crest of the Barcoo Junction North structure is to the northeast of Barcoo Junction-1. The prospect is smaller than previously mapped. Further work is being undertaken on this prospect with a view to delineating a suitable site for drilling [Figure 5].

**ATP 677P (50%)**

Grant of this permit is awaiting resolution of Native Title being negotiated in conjunction with ATP 589P.

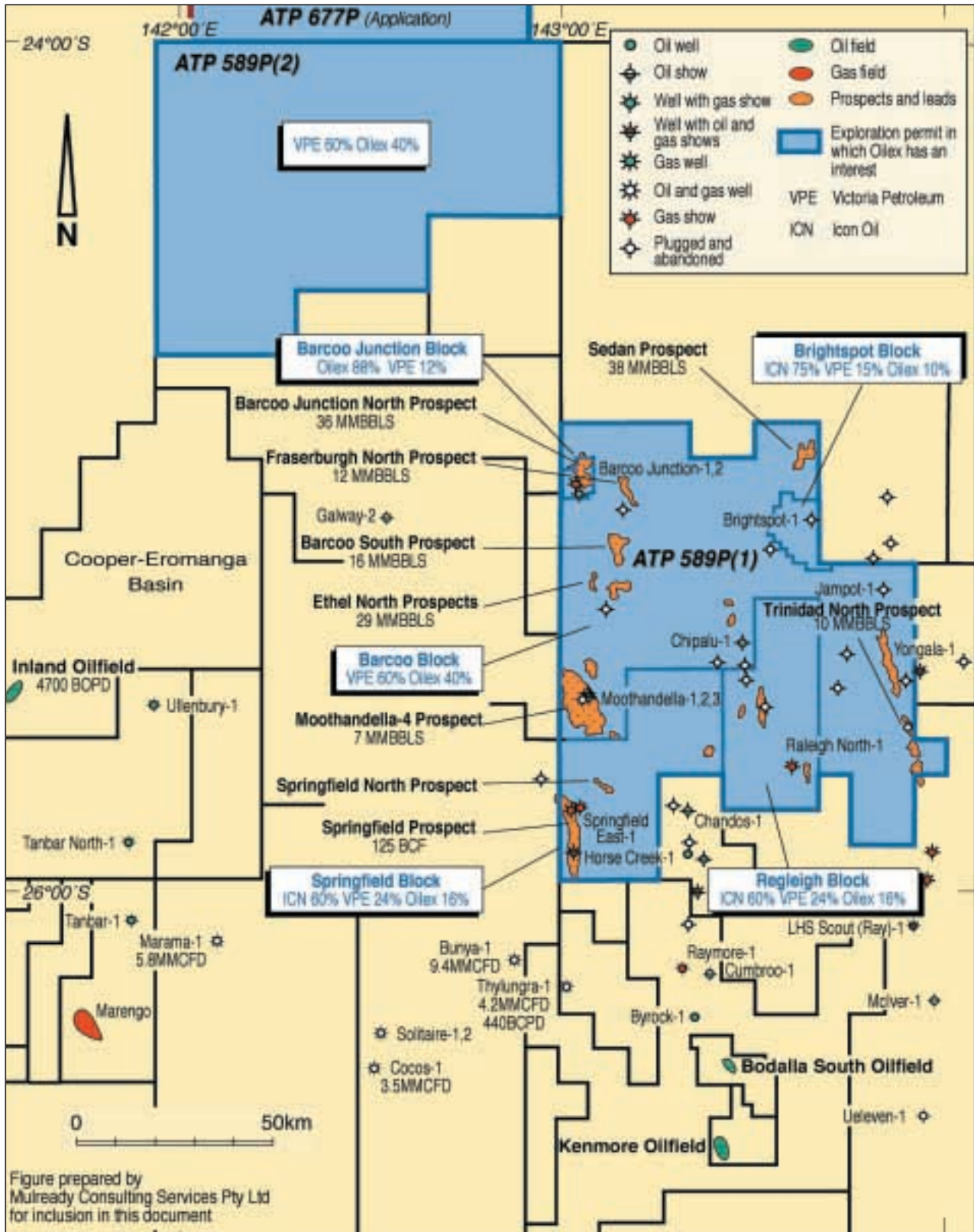


Figure 5 Cooper-Eromanga Basin – Prospects and Leads

## OTWAY BASIN

### EPP 27

Oilex has entered into a joint venture agreement for a participating interest of 60% in EPP 27 in the Offshore Otway Basin of South Australia with the option or earning a further 15% by drilling a second well [Figure 6].

EPP 27 is considered a highly prospective area, containing more than 20 identified prospects and leads.

The previous farminee to EPP 27 spent \$11 million on reprocessing seismic over the area and acquiring new seismic. That company found 39 gas leads and prospects, and one oil lead identified from initial AVO analysis, the largest of which is estimated to contain 3.4 TCF of gas. The total gas identified was 8.5 TCF. Gas chimneys extending to the sea floor indicate that hydrocarbon migration is continuing. The main leads and prospects identified by that work include:

- Rico Lead of 1.5 TCF in 1200 metres water depth
- Havana East Propsect of 268 BCF in 80 metres water depth
- Cobana Prospect of 3.4 TCF at 3000 metres in 80 metres water depth

A final location for the first well will be selected once seismic reprocessing has been completed on a number of prospects located on the southeastern portion of EPP 27.

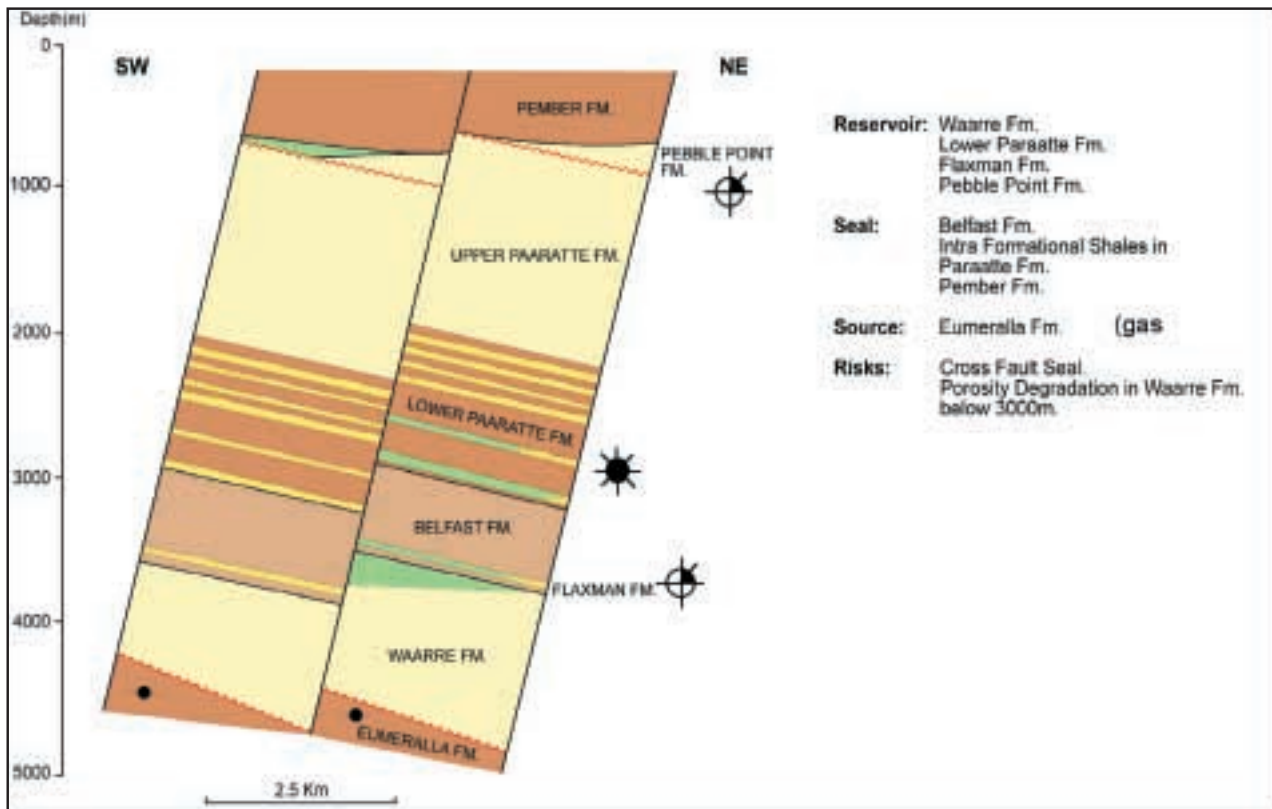
Oilex intends to drill its initial earning well before the 2005 financial year end.



Paratte Formation Well intercepts in EPP 27



Figure 6 Otway Basin EPP 27 (earning 60%)



Rotated Fault Block Play Concept EPP 27

## CANNING BASIN

### L03-07 (Oilex 100%)

Oilex has entered the Native Title process in its application for this permit in the Canning Basin in Western Australia [Figure 1].

L03-7 is located on the eastern edge of the Broome Platform and is bounded by the Barbwire Terrace to the east. It is on the edge of the intracratonic sag that initiated the Canning Basin in the Ordovician before it was overprinted by the “failed third arm” of the Fitzroy Trough. The significance of this is that the prime target horizon in the Ordovician section, the Acacia Sandstone member of the Willara Formation, is at relatively low depths.

The permit area also largely corresponds with the area of salt dissolution of the Mallowa Salt. This has produced structuring in the post-salt sequence and may have allowed migration of oil up from the pre-salt sequence.

The combination of shallow depths for all target horizons and the salt withdrawal structuring has given L03-07 a high prospect density. The area has an adequate, modern seismic grid which will allow a number of prospects to be drilled with confidence with regard to structural crest.

## CORPORATE

As of 30 June 2004 Oilex had a total issued capital of 33,957,007 shares on issue, with 24,307,007 shares being listed on the ASX, and with 9,650,000 shares being escrowed as follows:

2,650,000 shares escrowed until 24 October 2005

7,000,000 shares escrowed until 17 October 2004

In addition there are 2,000,000 unlisted options exercisable at 20 cents per share by 28 February 2008. These options are escrowed until 24 October 2005.

As at 30 June 2004, Oilex had \$1.8 million in available funds.

## TENEMENT SCHEDULE

PERMIT	BASIN	BLOCK NAME	PARTIES	HOLD %	OPERATOR	
ATP 574P	Surat		Oilex NL (Sequoil)	34.50	Oilex NL	
			Private Interests	23.00		
			Victoria Petroleum NL	30.00		
			Arrow Energy NL	12.50		
ATP 593P	Surat		Oilex NL (Sequoil)	76.00	Oilex NL	
			Victoria Petroleum NL	24.00		
ATP 654P	Surat		Victoria Petroleum NL	60.00	Victoria Petroleum NL	
			Oilex NL (Sequoil)	40.00		
ATP 589P (Note 1)	Eromanga	Barcoo	Victoria Petroleum NL	60.00	Victoria Petroleum NL	
			Oilex NL (Sequoil)	40.00		
		Regleigh	Icon Oil NL	60.00		Icon Oil NL
			Victoria Petroleum NL	24.00		
			Oilex NL (Sequoil)	16.00		
		Springfield		Icon Oil NL		60.00
Victoria Petroleum NL	24.00					
Oilex NL (Sequoil)	16.00					
		Barcoo Junction	Oilex NL	80.00	Oilex NL	
			Oilex NL (Sequoil)	8.00		
			Victoria Petroleum NL	12.00		
		Brightspot	Icon Oil NL	75.00	Icon Oil NL	
			Victoria Petroleum NL	15.00		
			Oilex NL (Sequoil)	10.00		
		Part 2	Victoria Petroleum NL	60.00	Victoria Petroleum NL	
			Oilex NL (Sequoil)	40.00		
ATP 608P	Surat	Rookwood	Oilex NL (Sequoil)	59.06	Oilex NL	
			Victoria Petroleum NL	29.69		
			Private Interests	11.25		
	Surat	Stratton	Oilex NL (Sequoil)	66.75	Oilex NL	
			Victoria Petroleum NL	24.00		
			Private Interests	9.25		
ATP 548P	Eromanga		IOR Exploration P/L	33.04	IOR Exploration P/L	
			ITG Pty Ltd	31.75		
			Moroil Pty Ltd	25.20		
			Oilex NL	10.00		
ATP 545P	Eromanga		Oilex NL	45.50	Oilex NL	
			Roma Petroleum	45.00		
			Private Interests	9.50		
ATP 677P-Application	Eromanga		Oilex NL	50.00		
			Challenge Resources	50.00		
EPP 27	Otway		Oilex NL (earning)	60.00	Oilex NL	
			Great Artesian	40.00		
L03-7-Application			Oilex NL	100.000	Oilex NL	

NOTE 1: ATP 589P renewal is subject to resolution of native title, negotiations are currently being finalized with in principal agreement having been reached.

2: Sequoil Pty Ltd is a wholly owned subsidiary of Oilex NL.



OILEX NL  
ABN 50 078 652 632  
FINANCIAL REPORT AND STATUTORY INFORMATION  
FOR THE YEAR ENDED 30TH JUNE 2004

## CONTENTS

	Page No.
4. Corporate Governance Statement	14
5. Directors' Report	16
6. Statement of Financial Performance for the year ended 30 June 2004	19
7. Statement of Financial Position as at 30 June 2004	20
8. Statement of Cash Flows for the year ended 30 June 2004	21
9. Notes to the Financial Statements for the year ended 30 June 2004	22
10. Directors' Declaration	40
11. Independent Audit Report	41

## CORPORATE GOVERNANCE STATEMENT

The full Board meets regularly and generally every 2 months with frequent informal discussions. Due to the small scale of the board, the board as a whole makes decisions on all important Company issues.

### Principles

In March 2003 the ASX Corporate Governance Council issued "Principles of Good Corporate Governance and Best Practice Recommendations". These are:

1. Lay solid foundations for management and oversight.
2. Structure the board to add value.
3. Promote ethical and responsible decision-making.
4. Safeguard integrity in financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Encourage enhanced performance.
9. Remunerate fairly and responsibly.
10. Recognise the legitimate interests of stakeholders.

The Board and management have considered these Principles, and their applicability to the Company, and is progressively implementing the Best Practice Recommendations. Details can be found on the Company's website under the section titled Corporate Governance.

### Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the Directors' Report.

The names of the independent Directors of the company are:

Dr G.I. Johnson

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- Less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- No sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- None of the directors' income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

The Directors of the Company in office at the date of this statement are:

Name	Position	Special Expertise
M.D.J. Cozijn	<i>Chairman</i>	Finance and Corporate Management
D.C. Archibald	<i>Managing Director</i>	Petroleum Geologist
G.I. Johnson	<i>Non-Executive Director</i>	Exploration Geologist & Technical Management

### Trading Policy

The company's policy regarding directors and employees trading in its securities, is set by the Board. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

### Audit Committee

The Company does not have an audit committee as the Board undertakes direct responsibility for review and to oversee the existence and maintenance of internal controls, accounting systems and the financial reporting process. In addition the Board is to regularly review the external audit arrangements and the performance and adequacy of those arrangements.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of key operational performance indicators. The responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity is also the Board's responsibility.

### Remuneration and Policies

The remuneration policy, which sets the terms and conditions for the Executive Directors and other senior executives, was developed by the Board after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The

Board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is reviewed annually, in December, by the Board, with revised remuneration packages generally taking effect from the 1st of January of the following Calendar year.

Executives are also entitled to participate in the employee option arrangement from time to time, as determined by the Board.

The amount of remuneration for all specified directors and the specified executives including all monetary and non-monetary components, are detailed in Note 6 to the financial report. All remuneration paid to executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the economic entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, stock options and other incentive payments are reviewed by the Board annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, options and incentives must be linked to predetermined performance criteria. Any changes must be justified by reference to measurable performance criteria.

#### **Nomination Committee**

During the year ended 30 June 2004, Oilex NL did not have a separately established nomination committee. However, the duties and responsibilities typically delegated to such a committee are expressly included in the Board's own charter as being the responsibility of the full Board. The Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

#### **Other Information**

Company full year financial statements and half yearly accounts are submitted to the Board for review and discussion. The external auditor attends board meetings when required to discuss any accounting and auditing issues.

The signing off of the annual accounts is a matter considered by the whole Board together with the external auditor. The external auditor is invited to the Company's annual general meeting as a matter of course and is available for any shareholder question.

A detailed Corporate Governance information page relating to the company's corporate governance practices and policies is publicly available on the company's web site at [www.oilex.com.au](http://www.oilex.com.au)

## DIRECTORS' REPORT

Your Directors present their report on the company for the financial year ended 30 June 2004.

### Directors

The names of Directors in office at any time during or since the end of the year are:

M.D.J. Cozijn  
D.C. Archibald  
G.I. Johnson

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal Activities

Following the completion of an IPO Prospectus raising of \$2.78 million and listing of the company's shares on the Australian Stock Exchange on 24 October 2003, the principal activities of the Economic Entity and Company during the financial year were the exploration of petroleum and gas properties within the Surat and Cooper Eromanga Basins.

### Operating Results

The net operating loss of the Economic Entity for the year ended 30 June 2004 (Company: 30 June 2003) after income tax amounted to \$936,486 (2003: \$236,664).

### Dividends paid or recommended

No dividend was paid or declared during the year and the Directors do not recommend the payment of a dividend.

### Review of Operations

During the year the Economic Entity pursued the exploration and development of its oil and gas activities within Australia. This included the drilling of Giligulgul North #1 well on ATP 574P and participation in the drilling of Morney North #1 well on ATP 545P.

The company continues to pursue drilling activity on its granted tenements, with the recent drilling on ATP 608P Rookwood South #1 well resulting in an oil discovery in September 2004.

### Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Economic Entity occurred during the financial year:

On 25 July 2003, the company lodged a Supplementary Prospectus, which also allowed for the period of the ASX Listing to be achieved by 24 October 2003.

On 17 October 2003, 7,000,000 shares were issued pursuant to various agreements as follows:

- i) 3,000,000 shares were issued to Prepet Pty Ltd as part consideration of the purchase of all of the issued capital of Sequil Pty Ltd, in addition to the consideration of \$350,000 through the subscription for an additional 1,750,000 shares in the prospectus raising.
- ii) 3,000,000 shares were issued to parties associated with Rolmaster Pty Ltd pursuant to the acquisition of the Barcoo Junction Prospect Area in addition to the payment of \$25,000.
- iii) 1,000,000 shares were issued to parties associated with Pacific and Oriental Investments Limited for technical and geological information relating to the Barcoo Junction Prospect Area, in addition to a 5% net profit interest and consideration of \$275,000 through the subscription for an additional 1,125,000 shares in the prospectus raising plus \$50,000.

On 17 October 2003, 13,907,000 shares were issued pursuant to the Prospectus dated 30 May 2003 and the Supplementary Prospectus dated 25 July 2003, at an issue price of 20 cents per share.

On 21 October 2003, the Company was admitted to the official list of the Australian Stock Exchange and official quotations commenced on 24 October 2003.

On 4 June 2004, the Company issued and allotted 4,400,000 shares at 19 cents per share, raising gross proceeds of \$836,000 for exploration drilling and working capital.

On 25 June 2004 Oilex NL acquired 100% of Admiral Oil NL (incorporated 11 March 2004) by acquiring 1 share for \$1.00.

### After Balance Date Events

There were no material events arising subsequent to 30 June 2004 to the date of this report, which significantly effected or may significantly effect the operations of the Economic Entity and Company or the results of those operations on the state of affairs of the Company in the future, other than those described above and noted in Note 25 of these accounts.

### Future Developments

Likely future developments in the operations of the Economic Entity are referred to in the Operation's review. Further information as to likely developments in the operations of the Economic Entity and Company and likely results of those operations would in the opinion of the directors, be speculative and not in the best interests of the Economic Entity.

## Environmental Issues

The Economic Entity's operations are subject to environmental regulation under the Laws of the Commonwealth and States. Presently environmental and permit bonds for a value of \$39,777 have been lodged over certain permits held by the Economic Entity in Queensland. It is anticipated that these bonds and securities will not be called on as the company maintains a strict policy of appropriate rehabilitation over its exploration leases. The majority of the company's activities involve low level disturbance associated with its exploration drilling programmes, as it is not presently involved in any production activities.

## INFORMATION ON DIRECTORS

### Mr Max Dirk Jan COZIJN

B.Com. ASA. – *Chairman/Company Secretary*

Mr Cozijn has a Bachelor of Commerce Degree from the University of Western Australia having graduated in 1972, and is an Associate of the Australian Society of Certified Practising Accountants. He has over 30 years experience in the administration of listed mining and industrial companies and is also Finance Director and Company Secretary of Metex Resources Ltd and Director of Elkedra Diamonds NL, as well as various private operating companies.

### Mr David Colin ARCHIBALD

B.Sc. Hons. (Geology) – *Managing Director*

Mr Archibald has a Bachelor of Science (Hons) degree from the University of Queensland. Following experience with CSR in coal and oil shale exploration, and with Esso in oil exploration, he joined the securities industry as an analyst specialising in resources. Mr Archibald has been engaged as an expert witness in the Supreme Court of NSW in the field of petroleum geology.

### Dr Geoffrey Ian JOHNSON

B.Sc.Hons, PhD (Geology), Grad Dip.Env.Sc  
– *Non-Executive Director*

Dr Johnson graduated from the University of Adelaide in 1980 with an honours degree in Geology, and has accumulated over 20 years experience in multi-commodity mineral exploration throughout Australia. Dr. Johnson was awarded a PhD from the University of Adelaide in 1992, and is currently General Manager Exploration of Bullion Minerals Ltd, and a non-Executive Director of Zambezi Resources Ltd. Dr Johnson is a member of the Geological Society of Australia, and the Australian Institute of Geoscientists, and is a fellow of the Society of Economic Geologists.

As at the date of this report, the interests of the Directors in shares and options of the Company were:

Director	Number of Shares Held	
	Direct	Indirect
M.D.J. Cozijn	—	400,000
D.C. Archibald	3,813,500	170,000
G.I. Johnson	—	—

Director	Number of Options Held	
	Direct	Indirect
M.D.J. Cozijn	1,000,000	—
D.C. Archibald	1,000,000	—
G.I. Johnson	—	—

## Directors' and Executives' Remuneration

Disclosure relating to directors' and executive officers' emoluments has been included in Note 6 of the financial report.

## Meetings of Directors

During the financial year, 17 meetings of directors were held with the following attendances:

Director	Meetings Attended
M.D.J. Cozijn	17
D.C. Archibald	17
G.I. Johnson	17

## Directors and Auditors Indemnification

During the financial year, the Economic Entity paid a premium to insure the following officers of the Economic Entity against a liability incurred as such an officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

M.D.J. Cozijn  
D.C. Archibald  
G.I. Johnson

The Economic Entity has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the Economic Entity or any related body corporate against a liability incurred as such an officer or auditor.

## Directors' Report *continued*

### **Proceedings on behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

### **Share Options**

During the financial year no options were issued by the Company, however it was agreed by Directors on 26 November 2003, that subject to obtaining shareholder's approval at the next General Meeting of shareholders, that 200,000 options exercisable at 20 cents per share on or before 28 February 2008 be granted to Dr. G.I. Johnson for his services as a founding director.

At the date of this report the following options exercisable at 20 cents per share on or before 28 February 2008 are under issue to Directors:

Mr M.D.J. Cozijn 1,000,000

Mr D.C. Archibald 1,000,000

No options have been issued by the Company since the financial year ended 30 June 2004.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

There are 2,000,000 unissued ordinary shares for which options are outstanding at the date of this report.

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



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



**D.C. Archibald**  
**Managing Director**

West Perth, W.A.  
30 September 2004

**STATEMENT OF FINANCIAL PERFORMANCE**  
for the year ended 30 June 2004

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2004	2004	2004	2003
		\$	\$	\$	\$
Revenues from ordinary activities	2	63,540	63,540	64	
Employee benefits expense		(113,212)	(113,212)	(120,000)	
Depreciation expense	3	(8,864)	(8,864)	—	
Administration costs		(200,813)	(195,538)	(88,427)	
Consultancy costs		(70,393)	(24,652)	(21,716)	
Exploration Expenditure written off		(509,960)	(235,873)	—	
Exploration expenditure		(63,662)	(45,134)	—	
Other expenses from ordinary activities		(33,122)	(32,122)	(6,585)	
Loss from ordinary activities before income tax expense		(936,486)	(591,855)	(236,664)	
Income tax expense relating to ordinary activities	5	—	—	—	
Net loss attributable to members of the parent entity		(936,486)	(591,855)	(236,664)	
Basic earnings (loss) per share - cents per share	4	(3.99)			
Diluted earnings (loss) per share - cents per share	4	(3.99)			

*The accompanying notes form part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2004

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2004	2004	2003	2003
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash Assets	7	1,771,661	1,771,658	99,255	
Receivables	8	37,954	34,733	5,577	
Other	9	89,778	50,000	409,550	
<b>Total Current Assets</b>		<b>1,899,393</b>	<b>1,856,391</b>	514,382	
<b>Non Current Assets</b>					
Receivables	8	33,772	421,404	—	
Property, Plant and Equipment	10	112,952	112,952	—	
Other	9	2,131,000	1,128,600	125,000	
Other financial assets	11	—	1,002,401	—	
<b>Total Non Current Assets</b>		<b>2,277,724</b>	<b>2,665,357</b>	125,000	
<b>TOTAL ASSETS</b>		<b>4,177,117</b>	<b>4,521,748</b>	639,382	
<b>Current Liabilities</b>					
Payables	12	132,944	132,944	122,471	
Provisions	13	4,942	4,942	—	
Other	14	425	425	95,000	
<b>Total Current Liabilities</b>		<b>138,311</b>	<b>138,311</b>	217,471	
<b>TOTAL LIABILITIES</b>		<b>138,311</b>	<b>138,311</b>	217,471	
<b>NET ASSETS</b>		<b>4,038,806</b>	<b>4,383,437</b>	421,911	
<b>EQUITY</b>					
Contributed Equity	15	5,295,262	5,295,262	741,881	
Accumulated Losses	16	(1,256,456)	(911,825)	(319,970)	
<b>TOTAL EQUITY</b>		<b>4,038,806</b>	<b>4,383,437</b>	421,911	

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
for the year ended 30 June 2004

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2004	2004	2003	2003
		\$	\$	\$	\$
<b>Cash flows from Operating Activities</b>					
Payments to suppliers and employees		(385,938)	(312,170)	(116,877)	
Payments for exploration expenditure		(509,960)	(235,873)	—	
Interest received		63,540	63,540	64	
Net cash (used in) operating activities	18	(832,358)	(484,505)	(116,813)	
<b>Cash flows from Investing Activities</b>					
Purchase of petroleum interests		(28,602)	(28,600)	(50,000)	
Purchase of plant and equipment		(121,816)	(121,816)	—	
Payment for bonds		(39,777)	—	—	
Investment in subsidiary, net of cash acquired		(2,398)	(2,398)	(50,000)	
Net cash (used in) Investing activities		(192,593)	(152,814)	(100,000)	
<b>Cash flows from Financing Activities</b>					
Proceeds from issues of shares		3,042,400	3,042,400	320,000	
Capital raising costs		(216,699)	(216,699)	(12,010)	
Loans from other companies		425	425	2,500	
Repayment of borrowings		(95,000)	(95,000)	—	
Loans to Joint Ventures		(33,769)	(20,789)	—	
Advances to subsidiaries		—	(400,615)	—	
Net cash flows provided by financing activities		2,697,357	2,309,722	310,490	
Net increase in cash held		1,672,406	1,672,403	93,677	
Cash at the beginning of the financial year		99,255	99,255	5,578	
Cash at the end of the financial year	7	1,771,661	1,771,658	99,255	

*The accompanying notes form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2004

### NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report covers the Economic Entity of Oilex NL and controlled entities, and Oilex NL as an individual parent entity. Oilex NL is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### (a) Principles of Consolidation

The consolidated accounts comprise the accounts of Oilex NL and all of its controlled entities. A controlled entity is any entity controlled by Oilex NL. Control exists where Oilex NL has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Oilex NL to achieve the objectives of Oilex NL. A list of controlled entities is contained in Note 19 to the financial statements.

All inter-company balances and transactions between entities in the Economic Entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the Economic Entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Outside interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

#### (b) Income Tax

The Economic Entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit/loss from ordinary activities adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either provision for deferred income tax, or an asset described as future income tax benefit, at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty as to the realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Economic Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

#### (c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

##### *Plant and equipment*

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

##### *Depreciation*

The depreciable amount of all fixed assets including capitalised lease assets, but excluding computers, is depreciated on a reducing balance commencing from the time the asset is held ready for use. Computers are depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Motor Vehicles	22.5%
Plant and Equipment	15-50%
Project Plant and Equipment	10-40%

**(d) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(e) Investments**

*Non Current*

Investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

**(f) Interest in Joint Ventures**

The Economic Entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated statements of financial performance and financial position. Details of the Economic Entity's interests are shown in Note 22.

**(g) Exploration, Evaluation and Development Expenditure**

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure.

**(h) Employee Benefits**

Provision is made for the Company's liability for annual leave and long service leave arising from services rendered by employees to the balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Economic Entity to employee superannuation funds and are charged as expenses when incurred.

**(i) Cash**

For the purpose of the statement of cash flows, cash includes:

- (i) Cash on hand and in at call deposits with banks or financial institutions, net of bank overdraft; and
- (ii) Investments in money market instruments with less than 14 days to maturity.

**(j) Comparative Figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

**(k) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from controlled entities are brought to account when they are proposed by the controlled entity.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

## Notes to the Financial Statements *continued*

All revenue is stated net of the amount of goods and services tax (GST).

### (l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

### (m) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

### (n) Going Concern Basis of Accounting

The general purpose financial report has been prepared on the basis of a going concern. The economic entity's ability to continue as a going concern is contingent upon raising additional capital to fund exploration commitments, other principal activities and for use as working capital. If additional capital is not raised, the going concern basis may not be appropriate with the result that the entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances have been made in the financial report.

### (o) Adoption of Australian Equivalents to International Financial Report Standards.

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year.

The Economic Entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised.

The Directors are of the opinion that the key differences in the Economic Entity's accounting policies which will arise from the adoption of IRFS are:

### (i) Income Tax

Under the Australian equivalent to IAS 12 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

### (ii) Equity-based compensation benefits

Under the Australian equivalent to IFRS 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change of the current accounting policy, under which no expense is recognised for equity-based compensation.

### (iii) Financial instruments

Under the Australian equivalent to IAS 32 Financial Instruments: Disclosure and Presentation the current classification of financial instruments issued by entities in the consolidated entity will not change.

Under the Australian equivalent to IAS 32 Financial Instruments: Recognition and Measurement there may be major impacts as a result of:

- financial assets held by the company being subject to classification as either held for trading, held-to-maturity, available for sale or loans and receivables and, depending upon classification, measured at fair value or amortised cost. The most likely accounting change is that investments in equity securities will be classified as available for sale and measured at fair value, with changes in fair value recognised directly in equity until the underlying asset is derecognised.

- foreign exchange contracts held for hedging purposes being accounted for as cash flow hedges. Changes in the fair value of those contracts will be recognised directly in equity until the hedged transaction occurs, in which case the amounts recognised in equity will be included in the initial cost of the assets acquired. Currently, the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

In addition, liabilities, subject to an in-substance defeasance will not qualify for derecognition. Under the transitional provisions of AASB 1, liabilities derecognised under previous Australian generally accepted accounting principles are not allowed to be recognised unless recognition is required as a result of a transaction or event occurring after transition.

**(iv) Impairment of Assets**

The Economic Entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use.

**(v) Exploration and Evaluation of Mineral Resources**

The IFRS standard on Exploration and Evaluation of Mineral Resources will not be issued until late 2004. The impacts of changes from Oilex NL's existing accounting policy (which is in accordance with AASB 1022 "Accounting for Extractive Industries") are not yet determinable.

	ECONOMIC ENTITY	PARENT ENTITY	
	2004	2004	2003
	\$	\$	\$

**NOTE 2 REVENUE**

Operating Activities

- Interest Revenue from other persons

63,540      63,540      64

Total Revenue

63,540      63,540      64

**NOTE 3 LOSS FROM ORDINARY ACTIVITIES**

Loss from ordinary activities before income tax has been determined after

**(a) Expenses**

Depreciation of Non-current assets

- Motor Vehicles

56      56      —

- Plant and Equipment

7,859      7,859      —

- Office furniture

949      949      —

Total Depreciation

8,864      8,864      —

**(b) Significant Revenues and Expenses**

The following significant revenue and expense items are relevant in explaining the financial performance:

Write off of tenement expenditure:

(509,960)      (235,873)      —

## Notes to the Financial Statements *continued*

ECONOMIC ENTITY  
2004  
\$

### NOTE 4 EARNINGS PER SHARE

#### (a) Reconciliation of Earnings to Net Loss

Net Loss	(936,486)
Earnings used in the calculation of basic EPS	(936,486)
Earnings used in the calculation of dilutive EPS	(936,486)

#### (b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

(23,491,185)

Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS

(23,491,185)

Options outstanding at 30 June 2004, totalling 2,000,000 are not considered potential ordinary shares and are therefore not dilutive.

ECONOMIC ENTITY                      PARENT ENTITY  
2004                      2004                      2003  
\$                      \$                      \$

### NOTE 5 INCOME TAX EXPENSE

#### (a) Income Tax Expense

The prima facie tax (benefit) on loss from ordinary activities is reconciled to the income tax as follows:

Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2003: 30%)	(280,946)	(177,557)	(70,999)
Add tax effect of:-			
Non-deductible items	(47,253)	(47,253)	70,999
Future income tax benefits not brought to account	328,199	224,810	—
Income tax expense attributable to operating loss	—	—	—

#### (b) Future Income Tax Benefit

Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1 (b) occur

Timing differences	(232,371)	(314,597)	—
Tax losses	560,570	539,407	—
Total Future Income Tax Benefit not brought to account	328,199	224,810	—

## NOTE 5 INCOME TAX EXPENSE (continued)

Legislation to allow groups, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantially enacted on 21 October, 2002. At the date of this report the directors have not assessed the effect, if any, that the implementation of the tax consolidation system may have on the company and the economic entity, and accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity.

The financial effects of the implementation of the tax consolidation system on the company and the consolidated entity have not been recognised in the financial statements.

## NOTE 6 DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Names and positions of parent entity directors in office at any time during the financial year are:

### Parent Entity Directors

Mr M.D.J. Cozijn – *Non-Executive Chairman*

Mr D.C. Archibald – *Managing Director*

Dr G.I. Johnson – *Non-Executive Director*

(b) Parent Entity Directors' Remuneration

2004		PRIMARY		EQUITY	Total
Director	Responsibility	Directors' Fees	Superannuation Contributions	Deemed Option & Share Value	
Mr. M.D.J Cozijn	<i>Chairman/Coy. Secretary</i>	—	36,333	—	36,333
Mr. D.C. Archibald	<i>Managing Director</i>	—	9,000	—	9,000
Dr. G. I Johnson	<i>Non-Exec. Director</i>	1,333	9,567	—	10,900
		1,333	54,900	—	56,233

2003		PRIMARY		EQUITY	Total
Director	Responsibility	Directors' Fees	Superannuation Contributions	Deemed Option & Share Value	
Mr. M.D.J Cozijn	<i>Chairman/Coy. Secretary</i>	—	—	51,000	51,000
Mr. D.C. Archibald	<i>Managing Director</i>	—	—	289,000 (2)	289,000
Dr. G. I Johnson	<i>Non-Exec. Director</i>	—	—	—	—
		—	—	340,000	340,000

NOTE: There are no directors or executive officers of the Company not mentioned above.

- (1) The deemed share value is based on an issue price of 8 cents and 20 cents, while the deemed option value is based on the Black and Scholes model pricing of 1.9 cents per share.
- (2) Mr Archibald elected to take his first year's salary of \$150,000 in shares at 20 cents as from 1.11.03 This consideration was shown in his remuneration for the period ending 30 June 2003 when the shares were granted.

## Notes to the Financial Statements *continued*

### NOTE 6 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

#### (c) Option Holdings held directly and indirectly

	Balance at 01 Jul 03 20c due 20 Feb 08	Balance at 30 Jun 04 20c due 20 Feb 08
Mr M.D.J. Cozijn	1,000,000	<b>1,000,000</b>
Mr D.C. Archibald	1,000,000	<b>1,000,000</b>
Dr G.I. Johnson (*)	—	—
	<u>2,000,000</u>	<u><b>2,000,000</b></u>

(\*) Pursuant to Director's resolution on 26 November 2003, and subject to obtaining shareholder approval, it was resolved to grant Dr Johnson 200,000 Options exercisable at 20c per share on or before 28 February 2008.

No options have been granted or exercised during the period.

#### (d) Share Holdings held directly and indirectly

	Balance at 01 Jul 03	Net* Change	Balance at 30 Jun 04
Mr M.D.J. Cozijn	400,000	—	<b>400,000</b>
Mr D.C. Archibald	2,250,000	1,043,500	<b>3,293,500</b>
Dr G.I. Johnson	—	—	—
	<u>2,650,000</u>	<u>1,043,500</u>	<u><b>3,693,500</b></u>

\* Net change refers to shares acquired in the IPO Prospectus raising and on market during the course of the year.

#### (e) Employment terms

Remuneration and other terms of employment for the Managing Director (Mr D.C. Archibald) are formalised in a Letter of Appointment. The remuneration and terms of employment for the Chairman (Mr M.D.J. Cozijn) and Non-Executive Director (Dr G.I. Johnson) are subject to annual review with no fixed term, with one third of the director's being subject to re-election at each Annual General Meeting of shareholders. The terms of employment and other major provisions relating to remuneration are set out below:

Mr M.D. J. Cozijn, Chairman

- Base Salary, from 1 November 2003 of \$50,000, plus superannuation, reviewed annually

Mr D.C. Archibald, Managing Director

- Term of Letter of Employment – 3 years commencing 19 February 2003
- Base Salary, \$150,000 plus superannuation payable from ASX Listing date, to be reviewed at completion of 3 years service. Mr D.C. Archibald elected to forego his salary entitlements for the first year of employment in return for 750,000 shares in the company.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to base salary and superannuation for 12 months.

Dr G.I. Johnson, Non-Executive Director

- Base Salary, from 1 November 2003 of \$15,000 plus superannuation, reviewed annually

## NOTE 6 DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

### (f) Remuneration and Policies

The remuneration policy, which sets the terms and conditions for the Executive Director's and other senior executives, was developed by the board after seeking professional advice from independent consultants and was approved by the Board. All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The Board reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The performance of executives is reviewed annually, in December, by the Board, with revised remuneration packages generally taking effect from the 1st of January of the following calendar year.

Executives are also entitled to participate in the employee option arrangement from time to time, as determined by the Board.

All remuneration paid to executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives to run the Economic Entity. It will also provide executives with the necessary incentives to work to grow long-term shareholder value.

The payment of bonuses, stock options and other incentive payments are reviewed by the board annually as part of the review of executive remuneration. All bonuses, options and incentives must be linked to predetermined performance criteria. Any changes must be justified by reference to measurable performance criteria.

	ECONOMIC ENTITY		PARENT ENTITY	
	2004	2004	2004	2003
	\$	\$	\$	\$

## NOTE 7 CASH ASSETS

Cash on hand	504	501	1
Cash at bank	150,101	150,101	99,254
Deposits at call	1,621,056	1,621,056	—
Total Cash Assets	1,771,661	1,771,658	99,255

## NOTE 8 RECEIVABLES

### Current

Sundry Debtors	37,954	34,733	5,577
Total Current Receivables	37,954	34,733	5,577

### Non-Current

Amounts received from:

- wholly-owned entities	—	400,615	—
- associated entities	33,772	20,789	—
Total Non-Current Receivables	33,772	421,404	—

## Notes to the Financial Statements *continued*

	ECONOMIC ENTITY		PARENT ENTITY	
	2004	2004	2004	2003
	\$	\$	\$	\$

### NOTE 9 OTHER ASSETS

#### Current

Capitalised IPO Costs	—	—	254,550
Prepayments	50,000	50,000	155,000
Bonds	39,778	—	—
Total Other Current Assets	89,778	50,000	409,550

#### Non - Current

Exploration, evaluation and development costs carried forward in respect of areas of interest in - exploration and evaluation phases (\*) (a)

	2,131,000	1,128,600	125,000
Total Other Non - Current Assets	2,131,000	1,128,600	125,000

(a) Reconciled as follows:

Opening Balance	125,000	125,000	25,000
Exploration Expenditure carried out during the year	2,006,000	1,003,600	100,000
	2,131,000	1,128,600	125,000

(\*) The ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas.

### NOTE 10 PROPERTY, PLANT AND EQUIPMENT

Motor Vehicles – cost	45,377	45,377	—
Less accumulated depreciation	(56)	(56)	—
	45,321	45,321	—
Plant and equipment - cost	52,146	52,146	—
Less accumulated depreciation	(7,859)	(7,859)	—
	44,287	44,287	—
Office Furniture - cost	24,293	24,293	—
Less accumulated depreciation	(949)	(949)	—
	23,344	23,344	—
Total Property, Plant and Equipment	112,952	112,952	—

## NOTE 10 PROPERTY, PLANT AND EQUIPMENT (continued)

### (a) Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Motor Vehicles \$	Plant and Equipment \$	Office Furniture \$	Total \$
<b>Economic Entity</b>				
Balance at the beginning of year	—	—	—	—
Additions	45,377	52,146	24,293	121,816
Disposals	—	—	—	—
Depreciation expense	(56)	(7,859)	(949)	(8,864)
Carrying amount at the end of year	45,321	44,287	23,344	112,952
<b>Parent Entity</b>				
Balance at the beginning of year	—	—	—	—
Additions	45,377	52,146	24,293	121,816
Disposals	—	—	—	—
Depreciation expense	(56)	(7,859)	(949)	(8,864)
Carrying amount at the end of year	45,321	44,287	23,344	112,952

	ECONOMIC ENTITY		PARENT ENTITY	
	2004	2003	2004	2003
	\$	\$	\$	\$

## NOTE 11 OTHER FINANCIAL ASSETS

### Non-Current

Unlisted investments, at cost			
- Shares in controlled entities	—	1,002,401	—

## NOTE 12 PAYABLES

### Current

Unsecured Trade Creditors	132,944	132,944	122,471
Total Payables	132,944	132,944	122,471

## Notes to the Financial Statements *continued*

	ECONOMIC ENTITY		PARENT ENTITY	
	2004	2004	2004	2003
	\$	\$	\$	\$

### NOTE 13 PROVISIONS

	4,942	4,942	—
	Number	Number	Number
Employee Entitlements			
(a) Number of Employees at year end	2	2	—

### NOTE 14 OTHER LIABILITIES

#### Current

Loan from other companies	425	425	95,000
Current Other Liabilities	425	425	95,000

### NOTE 15 CONTRIBUTED EQUITY

33,957,007 fully paid ordinary shares	5,295,262	5,295,262	741,881
Ordinary Shares			
At the beginning of the reporting year	741,881	741,881	1
Shares issued during the year			
- 4,650,000 ordinary shares issued 4 March 2003	—	—	433,889
- 4,000,000 ordinary shares issued 10 March 2003	—	—	320,000
- 7,000,000 ordinary shares issued 17 October 2003	1,400,000	1,400,000	—
- 13,907,000 ordinary shares issued 17 October 2003	2,781,400	2,781,400	—
- 4,400,000 ordinary shares issued 4 June 2004	836,000	836,000	—
	5,759,281	5,759,281	753,890
Less capital raising costs	(464,019)	(464,019)	(12,009)
Total Paid Up Capital at reporting date	5,295,262	5,295,262	741,881

- (a) Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.
- (b) At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## NOTE 15 CONTRIBUTED EQUITY (continued)

### Stock Exchange Listing

Quotation has been granted for 24,307,007 shares on all Member exchanges of the Australian Stock Exchange Limited (“ASX”), leaving 9,650,000 shares under escrow, as follows:

2,650,00 Shares escrowed until 24 October 2005  
 7,000,000 Shares escrowed until 17 October 2004

### Options

During the year no options to take up ordinary shares were granted.

As at the year end the Company has on issue a total of 2,000,000 (30 June 2003: 2,000,000) unissued ordinary shares on which options are outstanding. These options are subject to escrow until 24 October 2005.

	ECONOMIC ENTITY	PARENT ENTITY	
	2004	2004	2003
	\$	\$	\$

## NOTE 16 ACCUMULATED LOSSES

Accumulated losses at the beginning of the year	(319,970)	(319,970)	(83,306)
Net loss attributable to the members of the parent entity	(936,486)	(591,855)	(236,664)
Accumulated losses at the end of the financial year	(1,256,456)	(911,825)	(319,970)

## NOTE 17 STATEMENT OF OPERATIONS BY SEGMENT

The Economic Entity operates predominantly in one business and geographical segment, being oil and gas exploration in Australia.

## Notes to the Financial Statements *continued*

	ECONOMIC ENTITY		PARENT ENTITY	
	2004	2004	2004	2003
	\$	\$	\$	\$
<b>NOTE 18 CASH FLOW INFORMATION</b>				
(a) Reconciliation of cash flow from operations with loss from ordinary activities after income tax				
Loss from ordinary activities after income tax	(936,486)	(591,855)	(236,664)	
Non cash flows in loss from ordinary activities				
- Depreciation	8,864	8,864	—	
- Increase / (Decrease) in provisions	4,942	4,942	—	
- Share issue in lieu of payment	—	—	232,000	
- Expenditure paid by Metex Resources Ltd	—	—	29,635	
Changes in assets and liabilities				
- Increase in trade creditors and accruals	9,455	15,030	122,471	
- (Increase) in receivables	(24,133)	(26,486)	(4,705)	
- Decrease in prepayments	105,000	105,000	(5,000)	
- (Increase) in other assets	—	—	(254,550)	
Cash flows from operations	<b>(832,358)</b>	<b>(484,505)</b>	<b>(116,813)</b>	

### (b) Non-cash Financing and Investing Activities

#### (i) Share issues

3,000,000 shares were issued to Prepet Pty Ltd as part consideration of the purchase of all of the issued capital of Sequil Pty Ltd (in addition to the consideration of \$350,000 through the subscription for an additional 1,750,000 shares in the prospectus raising).

3,000,000 shares were issued to parties associated with Rolmaster Pty Ltd pursuant to the acquisition of the Barcoo Junction Prospect area (in addition to the payment of \$25,000).

1,000,000 shares were issued to parties associated with Pacific and Oriental Investments Limited for technical and geological information relating to the Barcoo Junction Prospect Area (in addition to a 5% net profit interest and consideration of \$275,000 through the subscription for an additional 1,125,000 shares in the prospectus raising plus \$50,000).

## NOTE 19 CONTROLLED ENTITIES

Prior to 1 July 2003 the Company did not have any interests in any controlled entities and now has interests in the following Controlled Entities.

	PLACE OF INCORPORATION	PERCENTAGE HELD 2004
Sequoil Pty Ltd	Queensland	100%
Admiral Oil NL	Western Australia	100%

- (i) On 1 March 2003, Oilex NL obtained 100% interest of the voting share capital of Sequoil Pty Ltd, a company incorporated in Australia specialising in mineral exploration.

The completion of the acquisition was dependent upon the successful listing of Oilex NL on the ASX. This occurred on 24 October 2003, at which time the balance of the consideration, being the issue of 4,750,000 ordinary shares at 20 cents each, was paid.

The components of the acquisition were:

	2004 \$	2003 \$
Consideration		
- Shares issued	950,000	—
- Cash paid	2,400	50,000
	<u>952,400</u>	<u>50,000</u>
Net Assets Acquired		
- Cash	2	—
- Value attributed to mineral interests acquired	1,002,398	—
	<u>1,002,400</u>	<u>—</u>
Net Cash Effect		
Cash consideration paid	2,400	50,000
Cash included in net assets acquired	(2)	—
Cash paid for purchase of controlled entity	<u>2,398</u>	<u>50,000</u>

- (ii) On 25 June 2004 Oilex NL obtained 100% interest in the voting share capital of Admiral Oil NL, a company incorporated in Australia specializing in oil & gas exploration by acquiring one share for \$1.00.

As at 30 June 2004 loans from Oilex NL to Admiral Oil NL amounted to \$11,899. Cash assets held by Admiral Oil NL amount to \$1.00

Notes to the Financial Statements *continued*

	ECONOMIC ENTITY		PARENT ENTITY	
	2004		2004	2003
	\$		\$	S

**NOTE 20 RELATED PARTY TRANSACTIONS**

**(a) Transactions with Related parties**

(i) Director related parties

Metex Resources Ltd has provided unsecured interest free loans during the year

425 425 95,000

(ii) Administration service fee paid to Metex Resources Ltd. Mr Cozijn is a Director of Metex and Dr. Johnson was an executive employee (until 31 Dec 2003)

50,000 50,000 20,000

(iii) Shares were issued to Metex Resources Ltd (1,000,000) in satisfaction of part of their loan to Oilex

— — 51,889

2004 Number 2003 Number

**(b) Directors' Share Transactions**

Directors and director related entities hold directly, indirectly or beneficially at balance date the following equity interests in the Company:

Ordinary Shares 3,693,500 2,650,000

20 cent options expiring 20/02/08 2,000,000 2,000,000

Directors and their related entities acquired 1,043,500 ordinary shares in the IPO Prospectus raising and on market during the course of the year.

	ECONOMIC ENTITY	PARENT ENTITY	
	2004	2004	2003
	\$	\$	\$

## NOTE 21 AUDITORS' REMUNERATION

Remuneration of the auditor for:

- Auditing or reviewing the financial report	8,500	8,500	2,900
- Other services	3,900	3,900	2,325

## NOTE 22 INTEREST IN JOINT VENTURE OPERATIONS

The Economic Entity has an interest in the following joint venture operations whose principal activities are oil and gas exploration.

NAME	PERCENTAGE INTEREST HELD %	
	2004	2003
ATP 574P	34.5	—
ATP 593P	24.0	—
ATP 654P	40.0	—
ATP 598P		
- General	40.0	—
- Barcoo Junction	40.0	—
- Regleigh Block	16.0	—
- Springfield Block	16.0	—
- Barcoo Junction	88.0	—
- Brightspot	10.0	—
- Part 2	40.0	—
ATP 608P		
- Rookwood South	59.06	—
- Remainder	66.75	—
ATP 548P	10.0	—
ATP 545P (earning)	54.5	—

## NOTE 23 CONTINGENT LIABILITIES AND COMMITMENTS

### (a) Exploration Commitments

Ongoing annual exploration expenditure is required to maintain title to the Economic Entity's oil & gas exploration Permits. No provision has been made in the financial statements for these amounts as the amounts are expected to be fulfilled in the normal course of the operations of the Company.

The Economic Entity has certain statutory obligations to perform minimum exploration work on the Permits held to the value of approximately \$2,255,000 over the next 12 months.

The Statutory expenditure requirement may be renegotiated with the Queensland Department of Natural Resources & Mines, and expenditure commitments may be varied between Permits, or reduced subject to reduction of exploration area and/or relinquishment of non-prospective Permits.

## Notes to the Financial Statements *continued*

### NOTE 23 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

#### (b) Claims of Native Title

The Economic Entity is aware of Native Title claims, which cover certain of its Permits in Queensland. At the present date no claims for Native Title have seriously affected exploration by the Economic Entity, however, there have been delays in the granting and renewal of exploration Permits and consequently exploration of those Permits due to the Native Title process.

At ATP 589P we are presently awaiting finalization of the native title agreement, with in principal agreement having been reached, this should see title being granted by the end of this year.

The Economic Entity is unable to give a definitive statement on the impact, if any, of Native Title claims on the Economic Entity's future exploration and activities.

	ECONOMIC ENTITY	PARENT ENTITY	
	2004	2004	2003
	\$	\$	\$

#### (c) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable:

- not later than one year	52,632	52,632	—
- later than on year but not later than five years	74,562	74,562	—
Total Operating Lease Commitments	127,194	127,194	—

This relates to a property lease for 3 years commencing 1 December 2003. The remaining period of existing lease as at 30 June 2004 was 29 months.

### NOTE 24 FINANCIAL INSTRUMENTS

#### (a) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Economic Entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

#### (b) Net Fair Values

No financial assets or financial liabilities are readily traded on organised markets in a standardised form.

The fair values of financial assets and financial liabilities approximates the carrying values disclosed in the financial statements.

## NOTE 24 FINANCIAL INSTRUMENTS (continued)

### (c) Interest Rate Risk

The Economic Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE		FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING WITHIN YEAR		NON-INTEREST BEARING		TOTAL	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
<b>Financial Assets</b>										
Cash	4.8	1.70	150,101	99,254	1,621,056	—	504	1	1,771,661	99,255
Receivables	—	—	—	—	—	—	<b>37,954</b>	5,577	<b>37,954</b>	5,577
Total Financial Assets			<b>150,101</b>	99,254	<b>1,621,056</b>	—	<b>38,458</b>	5,578	<b>1,809,615</b>	104,832
<b>Financial Liabilities</b>										
Trade & Sundry Creditors			—	—	—	—	<b>132,944</b>	122,471	<b>132,944</b>	122,471
Other liabilities			—	—	—	—	<b>425</b>	95,000	<b>425</b>	95,000
Total Financial Liabilities			—	—	—	—	<b>133,369</b>	217,471	<b>133,369</b>	217,471

## NOTE 25 EVENTS SUBSEQUENT TO BALANCE DATE

On 10 September 2004 Oilex NL entered into a Farm-in agreement with Great Artesian Oil and Gas Ltd whereby Oilex can earn a 60% participating interest in EPP27 by fully funding the cost of an exploration well within the permit, with an option to drill a second well in order to increase its interest to 75%. The Farm-in is conditional upon Oilex obtaining funding for the first well by 15 November 2004.

This transaction has not been reflected in the financial statement to 30 June 2004.

## NOTE 26 COMPANY DETAILS

The registered office of the company is:

Oilex NL  
Level 2  
50 Kings Park Avenue  
West Perth WA 6005

OILEX NL  
ABN 50 078 652 632

---

## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 19 to 39 are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the Company;
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



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



**D.C. Archibald**  
**Managing Director**

West Perth, Western Australia  
30 September 2004

## INDEPENDENT AUDIT REPORT

Chartered Accountants  
Business Advisers and Consultants

Grant Thornton 

### INDEPENDENT AUDIT REPORT TO MEMBERS OF OILEX NL

#### Scope

##### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Oilex NL (the company) and Oilex NL (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

We have read the other information in the annual report to determine whether it contained any material inconsistencies with the financial report.

## Independent Audit Report *continued*

### Independence

In conducting our audit, we followed the applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### Audit opinion

In our opinion, the financial report of Oilex NL is in accordance with:

- (a) the Corporations Act 2001, including:
  - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004, and of their performance for the year ended on that date; and
  - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
    - a. other mandatory financial reporting requirements in Australia.

Inherent uncertainty regarding continuation as a going concern.

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(n), unless the economic entity is able to raise additional working capital to fund its ongoing exploration commitments and other activities, there is significant uncertainty whether it will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

GRANT THORNTON  
CHARTERED ACCOUNTANTS

SEAN MCGURK  
Partner

Signed at Perth this 30th day of September 2004

Level 6  
256 St George's Terrace  
Perth Western Australia 6000  
Postal Address: GPO Box P1213  
Perth WA 6844 Australia  
T 61 8 9481 1448  
F 61 8 9481 0152  
E [gtperth@gtwa.com.au](mailto:gtperth@gtwa.com.au)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

A Western Australian Partnership – A Member of Grant Thornton Association Inc. – The Australian Member of Grant Thornton International  
Partners: P Constantinou PJ Fallon GP Kidd MJ Kitay GM LeGuier SP McGurk  
Consultant: V Zappavigna

## SHAREHOLDER INFORMATION

### 1. SHAREHOLDING

The shareholder information set out below was applicable as at 15 September 2004.

#### (a) Distribution of Share and Option Holdings as at 15 September 2004

SIZE OF HOLDING AND OPTION HOLDINGS	NUMBER OF SHAREHOLDERS	NUMBER OF OPTION HOLDERS (20c expiring 30/6/04)
1 - 1,000	29	—
1,001 - 5,000	205	—
5,001 - 10,000	162	—
10,001 - 100,000	313	—
100,001 and over	47	2
Total Shareholders and Option Holders	756	2

(b) Of the above total, 6 Ordinary Shareholders hold less than a marketable parcel.

#### (c) Substantial Shareholders

David Colin Archibald	3,983,500 shares	11.73%
Prepet Pty Ltd	3,000,000 shares	8.8%
Rolmaster Pty Ltd	2,250,000 shares	6.48%

#### (d) Voting Rights

The voting rights attached to the ordinary shares are governed by the Constitution.

On a show of hands every person present who is a Member or representative of a Member shall have one vote and on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

- The name of the Company Secretary is Mr Max D.J. Cozijn
- The address of the principal registered office in Australia is Level 2, 46-50 Kings Park Road, West Perth, Western Australia 6005, Telephone 61 8 9226 5577.
- The register of securities is held at;  
Security Transfer Registrars Pty Ltd, 770 Canning Highway, Applecross WA 6153.
- Stock Exchange Listing  
Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited, and trade under the symbol OEX .
- Detailed schedules of exploration and mining tenements held are included in the operations review.
- Directors interest in share capital is disclosed in the Directors Report.
- Unquoted Securities – Restricted Securities

The are presently 33,957,007 ordinary shares on issue of which 24,307,007 are listed on the Australian Stock Exchange Ltd, with 9,650,000 shares being restricted securities as follows:

2,650,000 shares restricted until 24 October 2005, and  
7,000,000 shares restricted until 17 October 2004

There are also 2,000,000 options exercisable at 20 cents by 25 February 2008, which are unlisted and restricted until 24 October 2005.

## Shareholder information *continued*

### TWENTY LARGEST SHAREHOLDERS AS AT 15 SEPTEMBER 2004

SHAREHOLDERS (Fully Paid Ordinary)	NUMBER OF SHARES	%
ARCHIBALD DAVID COLIN	3,263,500	9.61
PREPET PTY LTD	3,000,000	8.83
ROLMASTER PTY LTD	2,250,000	6.63
COMSEC NOMINEES PTY LIMITED	1,517,399	4.47
SETTLER'S HOUSE PTY LTD	1,000,000	2.94
TRICOM NOMINEES PTY LTD (LPD A/C)	890,000	2.62
TRICOM NOMINEES PTY LIMITED (ACCUM A/C)	610,562	1.80
ANZ NOMINEES LIMITED	597,000	1.76
INAMENEO (NO 79) NOMINEES PTY LIMITED	471,800	1.39
TRICOM NOMINEES PTY LIMITED (SETTLE A/C)	462,540	1.36
DIPLOMAT HOLDINGS PTY LTD	400,000	1.18
NET NOMINEES LIMITED	387,076	1.14
POLGROVE PTY LTD	375,000	1.10
ZELMAN PTY LTD	375,000	1.10
BOMAN ROHAN	375,000	1.10
DETAILED NOMINEES PTY LIMITED	360,000	1.06
ARCHIBALD COLIN ROBERT	300,000	.88
POINT ROAD PTY LTD	300,000	.99
ARCHIBALD DAVID COLIN	250,000	.74
JONES GUY LANCE	250,000	.74
<b>TOP 20 SHAREHOLDERS</b>	<b>17,434,877</b>	<b>51.33%</b>
<b>TOTAL ISSUED SHARES, as at 15 September 2004</b>	<b>33,957,007</b>	



Level 2, 50 Kings Park Road, West Perth  
WESTERN AUSTRALIA 6005

Telephone: (08) 9226 5577 Facsimile: (08) 9226 2108

Website: [www.oilex.com.au](http://www.oilex.com.au)