

10<sup>th</sup> March 2005

Centralised Company Announcement Office  
Australian Stock Exchange Limited  
10<sup>th</sup> Floor, 20 Bond Street  
Sydney, NSW 2000

Dear Sir,

**RE: INTERIM FINANCIAL REPORT – 31 DECEMBER 2004**

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Please find attached the Interim Financial Report for the 6 months ended 31 December 2004 and the signed Audit Review.

For and on behalf of the Board.

Yours sincerely,



**Max Cozijn**  
**Director/Company Secretary**



**ABN 50 078 652 632**

**AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2004**

**OILEX NL**  
**ABN 50 078 652 632**  
**AND ITS CONTROLLED ENTITIES**

*Incorporated under the Corporations law in the State of Victoria on 2nd June 1997.*

**INTERIM FINANCIAL REPORT**

**31 DECEMBER 2004**

**CORPORATE DETAILS**

**Directors:**

B.H. McCarthy B.Sc. Hons. Phd (Geology)  
M.D.J. Cozijn B.Com. ASA.  
G.I. Johnson B.Sc. Hons. Phd (Geology)  
S.L. Robertson B.Bus. CA

**Company Secretary:**

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

**Registered Office:**

Level Two Fortescue House  
50 Kings Park Road  
WEST PERTH WA 6005  
Telephone : (08) 9226 5577  
Facsimile: (08) 9226 2108

**Postal Address:**

P.O. Box 588  
WEST PERTH WA 6872

**Auditors:**

Grant Thornton  
256 St George's Terrace  
PERTH WA 6000

**Solicitors:**

Deacons  
Level 31, BankWest Tower  
108 St George's Terrace  
PERTH WA 6000

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**OILEX N.L.**  
**ABN 50 078 652 632**  
**AND ITS CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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Your Directors present their report on the economic entity for the half year ended 31 December 2004.

***DIRECTORS***

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

M.D.J. Cozijn (Chairman)  
B.H. McCarthy (Managing Director) [appointed 23 February 2005]  
S.L. Robertson (appointed 7<sup>th</sup> February 2005)  
G.I. Johnson  
D.C. Archibald (resigned 7<sup>th</sup> February 2005)

***REVIEW OF OPERATIONS***

The economic entity incurred a loss from ordinary activities after income tax of \$3,449,415 for the half year.

Oilex is an oil exploration company dedicated to creating shareholder value through the discovery of commercial oil fields.

Oilex is in a strong financial position. As at 31 December 2004, Oilex had A\$10.675 million in available funds with a tight capital structure with 49 million shares on issue (46 million shares listed). A total of 2,611,446 shares are held by the former Managing Director, Mr D.C. Archibald and are subject to escrow until October/December 2005, with a further 400,000 held by the Chairman, that are escrowed until October 2005.

Oilex has an attractive portfolio of exploration permit interests in highly prospective areas including:

- 6 onshore oil exploration permit areas in Australia
- 1 highly prospective earning farm-in on offshore EPP 27 Otway Basin in South Australia
- A number of leads and drilling prospects for follow up on ATP 608P [Surat Basin] and ATP 794P [Eromanga Basin]

A number of options are available to Oilex with regards to exploration on these permits, and the Board is reviewing all options regarding ongoing operations for this calendar year, to maximise shareholder value.

At this time Oilex is undertaking the following work programs.

**ATP 608P ROOKWOOD BLOCK JOINT VENTURE (OEX 59.06%)**

The appraisal drilling program has been completed with the drilling of 5 wells on this block including the discovery well Rookwood South-1 Well.

Currently, a comprehensive review of all results and data is being undertaken to determine what action can be taken to improve oil production and flow rates from the Rookwood Oil Field. The initial Drill Stem Test on Rookwood South-1 Well recovered an estimated 352 barrels of oil per day. However, the flow rates have declined significantly since then to 24 barrels of oil per day with no water being present. This

may indicate well bore damage. Part of this review is aimed at determining the reasons for this and the sustainable production levels that may be possible.

An 880 barrel oil storage tank is being installed at the Rookwood South-1 Well for ongoing production testing and recovery of oil.

An 11 metre core recovered from Rookwood North-1 Well is to be analyzed to determine the potential for the presence of a suitable oil reservoir sand in the upper Boxvale sand, and to indicate the oil water contact level.

Following detailed analysis of logs and all available data the field will be remapped with a view to determining whether the Joint Venture should proceed to perforate the Boxvale sand interval in the cased wells at Rookwood North-1 Well, Rookwood East-1 Well or Rookwood West-1 Well in addition to any remedial action that can be undertaken to improve the flow rate at Rookwood South-1 Well.

#### **ATP 608P REMAINDER BLOCK (OEX 66.75%)**

A review of two previously identified drilling targets on this block is being undertaken to confirm their drilling potential.

#### **EPP 27 – OTWAY BASIN (OEX earning 60.00%)**

Oilex is preparing a farm-out package for EPP 27 in order to attract a suitable Joint Venture partner to earn an interest in Oilex's earning interest, and to possibly assume the operator's role and management of this significant project. This will assist Oilex in conserving its cash resources and managing its risk profile.

Drilling of this offshore Otway Basin prospect, South Australia is anticipated to be undertaken in the second half of 2005, subject to rig availability and weather conditions.

The active hydrocarbon system in EPP 27 is demonstrated by the number of gas chimneys and other gas effects seen on seismic over the permit. The previous operator of EPP 27 generated 39 gas leads and prospects in the permit, totaling 8 TCF of gas. A discovery at Elzbieta – 1 would have significant follow up potential, including potential for a significant Oil discovery.

#### **ATP 794P [formerly ATP589P] (OEX HOLDS VARYING % INTERESTS)**

##### ***Barcoo Junction North Prospect (OEX 88.00%)***

Oilex has executed the Native Title Agreement relating to the grant of this tenement and awaits execution by the traditional owners and Government. Following the execution and grant of the new title and subject to further seismic review of the drilling target, Oilex will pursue the drilling of the Barcoo Junction North Prospect.

##### ***Barcoo Junction Block - Moothandella Prospect (OEX 40.00%)***

Bow Energy Limited is earning a 25.00% interest from Victoria Petroleum NL (the operator) by undertaking 500km of seismic reprocessing and the drilling and testing of a well. It is anticipated that the drilling of the Moothandella Prospect will be undertaken this year, with Oilex contributing for its interest.

Significant Jurassic oil potential has been interpreted to be present in ATP794P as confirmed by a number of exploration wells drilled previously which recovered oil.

## OTHER PERMIT INTERESTS

Oilex also has interests in additional Permits at ATP 574P (57.5%), ATP 593P (76%) in the Surat Basin, ATP 545P (45.5%), ATP 548P (10%), ATP 677P-application (50%) in the Eromanga Basin and L03-7-application (100%) and Farm-in interests in the Canning Basin. These interests are all under review to determine drilling prospectivity and possible Farm-outs.

In **ATP 545P** in the **Eromanga Basin**, Oilex drilled the **Connolly – 1 Well** to a depth of 1,732 metres and thereby earned a 45.5% interest in the permit.

In **ATP 593P** in the **Surat Basin**, Oilex drilled the **Don Juan North – 1 Well** to a depth of 715 metres and thereby increased its equity in this permit to 76%.

In summary, the Board believes that Oilex is in a strong financial position with an attractive portfolio of exploration permit interests in highly prospective areas.

## CORPORATE

Presently, Oilex has a total issued capital of 49,006,285 Ordinary shares of which 45,994,839 are listed, with the balance of 3,011,446 being escrowed as follows:

2,650,000 Shares escrowed until 14<sup>th</sup> October 2005 (ASX escrow)  
361,446 Shares escrowed until 1<sup>st</sup> December 2005 (voluntary escrow)

In addition there are 2,200,000 unlisted options exercisable at 20 cents per share by 28 February 2008 (of which 2,000,000 are escrowed until 24<sup>th</sup> October 2005), 500,000 options exercisable at \$1.00 per share by 31<sup>st</sup> December 2009, and 3,000,000 options exercisable at \$1.50 per share by 31<sup>st</sup> December 2009.

On 25<sup>th</sup> November 2004, a Prospectus Placement of 14,457,832 shares at \$0.83 per share was closed raising a gross of \$12 million with the assistance of Hartley's Limited as Corporate Advisor and Broker to the Issue.

Following shareholder approval on 15<sup>th</sup> November 2004, 230,000 shares were issued at a deemed value of \$0.93 for the acquisition of an additional 23% of ATP574P.

Further to Shareholder approval gained at the AGM on 29<sup>th</sup> November 2004, on 3<sup>rd</sup> December 2004 361,446 shares were allotted to the then Managing Director in lieu of salary for 2005 (these shares are subject to a 12 month voluntary escrow). In addition, 500,000 \$1.00 options and 3,000,000 \$1.50 options exercisable by 31<sup>st</sup> December 2009 were granted to directors and employees.

On 23 February 2005 Dr Bruce McCarthy was appointed Managing Director following the resignation of Mr David Archibald on 7 February 2005. Dr McCarthy is a petroleum geologist with over 25 years experience in both onshore and offshore exploration management in Australia, UK and India/South Asia. Most recently Dr McCarthy acted as an independent consultant and as President – India for Cain Energy PLC (UK).

As part of his appointment Dr McCarthy will, subject to shareholder approval, be issued 6 million options with exercise prices between 40 and 80 cents per share after various qualifying periods ranging from 12 to 36 months.

## AUDITORS INDEPENDENCE DECLARATION

The auditors independence declaration to the directors of Oilex NL forms part of the Directors Report for the half year ended 31 December 2004.

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



**M.D.J. Cozijn**  
Director



**S.L. Robertson**  
Director

10 March 2005

**OILEX N.L.**  
**ABN 50 078 652 632**  
**AND ITS CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF FINANCIAL PERFORMANCE**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED	
	31 DECEMBER 2004 \$	31 DECEMBER 2003 \$
Revenue from ordinary activities	156,093	29,219
Employee benefits expense	(382,546)	(27,250)
Consultancy costs	(20,830)	(44,000)
Exploration expenditure	(2,688,873)	(24,736)
Administration costs	(390,387)	(59,832)
Depreciation expense	(13,556)	(619)
Other expenses from ordinary activities	(109,316)	(3,915)
Profit (loss) from ordinary activities before income tax expense	(3,449,415)	(131,133)
Income tax expense relating to ordinary activities	-	-
Loss from ordinary activities after related income tax expense	(3,449,415)	(131,133)
Basic loss per share (cents per share)	(9.31)	(0.78)
Diluted loss per share (cents per share)	(9.31)	(0.78)

**OILEX NL**  
**ABN 50 078 652 632**  
**AND ITS CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2004**

	<b>CONSOLIDATED</b>	
	<b>31 DECEMBER 2004</b>	<b>30 JUNE 2004</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash Assets	10,675,845	1,771,661
Receivables	368,166	37,954
Inventories	190,121	-
Other	-	50,000
<b>TOTAL CURRENT ASSETS</b>	<b>11,234,132</b>	<b>1,859,615</b>
<b>NON CURRENT ASSETS</b>		
Receivables	65,785	73,550
Property, Plant & Equipment	368,437	112,952
Other	2,344,898	2,131,000
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,779,120</b>	<b>2,317,502</b>
<b>TOTAL ASSETS</b>	<b>14,013,252</b>	<b>4,177,117</b>
<b>CURRENT LIABILITIES</b>		
Payables	1,645,698	132,944
Provisions	34,298	4,942
Other	-	425
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,679,996</b>	<b>138,311</b>
<b>TOTAL LIABILITIES</b>	<b>1,679,996</b>	<b>138,311</b>
<b>NET ASSETS</b>	<b>12,333,256</b>	<b>4,038,806</b>
<b>EQUITY</b>		
Contributed Equity	17,039,127	5,295,262
Accumulated Losses	(4,705,871)	(1,256,456)
<b>TOTAL EQUITY</b>	<b>12,333,256</b>	<b>4,038,806</b>

**OILEX NL**  
**ABN 50 078 652 632**  
**AND ITS CONTROLLED ENTITIES**

**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

	CONSOLIDATED	
	31 DECEMBER 2004	31 DECEMBER 2003
	\$	\$
<b>Cash flows from Operating Activities</b>		
Payments to Suppliers and Employees	(389,724)	(192,019)
Payments for exploration expenditure	(1,790,154)	(24,736)
Interest Received	75,409	29,219
Other Income	5,249	-
Net cash (used in) operating activities	<u>(2,099,220)</u>	<u>(187,536)</u>
<b>Cash flows from Investing Activities</b>		
Payments for Property, Plant & Equipment	(145,171)	(37,192)
Investment in Subsidiary	-	(2,400)
Payments for Mineral Interests	(100,000)	(28,600)
Payments for Environmental Security Bonds	(26,007)	(9,600)
Net cash (used in) Investing Activities	<u>(271,178)</u>	<u>(77,792)</u>
<b>Cash flows from Financing Activities</b>		
Proceeds from Issue of Shares	12,000,000	2,206,400
Capital Raising Costs	(770,033)	(110,944)
Loans from other parties	10,843	-
Repayment of Borrowings to other parties	33,772	(94,650)
Net Cash provided by Financing Activities	<u>11,274,582</u>	<u>2,000,806</u>
Net increase in cash held	8,904,184	1,735,478
Add opening cash brought forward	<u>1,771,661</u>	<u>99,253</u>
Closing cash carried forward	<u>10,675,845</u>	<u>1,834,731</u>

**OILEX N.L.**  
**ABN 50 078 652 632**  
**AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

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**NOTE 1 - BASIS OF PREPARATION**

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by Oilex NL and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing activities of the consolidated entity as the full financial report.

**a) Basis of Accounting**

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report has been prepared in accordance with the historical cost convention.

**NOTE 2 – CONTINGENT LIABILITIES**

There has been no material change in contingent liabilities since the last annual reporting date.

**NOTE 3 - SEGMENT INFORMATION**

The economic entity operates predominantly in one business and geographical segment, being oil exploration in Australia.

**NOTE 4 – INTERNATIONAL FINANCIAL REPORTING 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 finalized.

The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of IFRS are:

**(i) Income Tax**

Under AASB 112 *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 AASB 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) 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) Joint ventures**

Investment held by venture capital organizations in joint ventures will be excluded from the scope of the Australian equivalent standard and will therefore need to be measured at fair value under standard AASB131.

The option of using either proportionate consolidation or equity accounting for jointly controlled entities (allowed under the international standard) will not be available – equity accounting must continue to be used. Existing Australian disclosure requirement regarding joint venture entities will also be retained.

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

AASB 6 requires Australian entities to apply 'area of interest' accounting to their exploration and evaluation expenditures. Generally this will enable exploration and evaluation expenditures to be treated in the same manner as they were under AASB 1022, subject to any impairment testing requirements. The primary difference between this Standard and the AASB Standard that it supersedes, AASB 1022 *Accounting for Extractive Industries*, is that the scope of this Standard is restricted to the treatment of exploration and evaluation expenditures. The other phases of extractive activity operations are covered under other Australian equivalents of International Financial Reporting Standards. The full impact of these Standards on the operations of Oilex NL will be capable of determination upon the AASB's completion of a comprehensive project on accounting for extractive industries.

**NOTE 5 – SUBSEQUENT EVENTS**

There have been no events subsequent to the reporting date that require disclosure.

**OILEX N.L.**  
**ABN 50 078 652 632**

**DIRECTORS' DECLARATION**

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The directors of the company declare that:

- (a) The financial statements and notes, as set out on pages 6 to 10:
  - (i) comply with Accounting Standard AASB1029: Interim Financial Reporting and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half year ended on that date.
- (b) 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**  
Director



**S.L. Robertson**  
Director

Perth, Western Australia

10 March 2005

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Oilex NL for the half-year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON  
Chartered Accountants



SEAN MCGURK  
Partner

Perth, WA

Dated this 10th day of March 2005

## **INDEPENDENT REVIEW REPORT TO THE 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 Oilex NL (the consolidated entity), for the half-year ended 31 December 2004. The consolidated entity comprises both the company and the entity it controlled during that half-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.

#### **Review approach**

We conducted an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities & Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

#### **Independence**

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

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF OILEX NL (cont)**

**Statement**

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

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
  - (ii) complying with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



GRANT THORNTON  
Chartered Accountants



**SEAN MCGURK**  
**Partner**

Dated this 10th day of March 2005.