OILEX LTD

ABN 50 078 652 632

INTERIM REPORT

31 December 2016

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CONTENTS

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DIRECTORS' REPORT

The directors present their report together with the condensed interim financial report of the Group comprising of Oilex Ltd (the Company) and its subsidiaries for the half year ended 31 December 2016 and the auditor's review report thereon.

Directors

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

Mr Bradley Lingo	Non-Executive Chairman from 23 February 2017 (previously Non-Executive Director)
Mr Max Dirk Jan Cozijn	Non-Executive Director from 23 February 2017 (stepped down as Non-Executive Chairman 23 February 2017)
Mr Jonathan Salomon	Managing Director

Financial

The Group incurred a consolidated loss after income tax of $3,243,406 for the half year (31 December 2015: loss of $23,307,742). Revenue for the period has decreased due to Bhandut-3 being shut in from 6 October 2016, Cambay-73 was on production test from 2 July to 24 July 2016, and Cambay-77 was shut in after June 2016. The prior period results included the impairment of development and exploration and evaluation assets of $15,039,632, with no impairment recorded in the current period. The impairment of receivables owing from Gujarat State Petroleum Corporation (GSPC) has decreased with $908,518 being impaired in the current period. Administration expenses includes the recovery of $693,400 arising from the insurance claim relating to the Zeta Resources Limited litigation. Other income includes the recovery of $190,853 relating to assets previously impaired. Cash and cash equivalents held by the Group as at 31 December 2016 was $1,886,040 (30 June 2016: cash and cash equivalents $5,158,361).

Review of Operations

During the period, the Company continued to focus on evaluating and commercialising the extensive Eocene low permeability (tight) reservoirs in its onshore Cambay Field project located in the state of Gujarat, India. Oilex also continues to hold preferred bidder status over a large position in the onshore Canning Basin, Western Australia.

Cambay Field

Oilex continues to focus its resources on unlocking the multi-TCF in-place tight gas potential in its onshore Cambay Block, Gujarat State, India, with the current focus on unconventional (tight) Eocene reservoirs which are known to be gas charged and referred to as the EP-III/IV or X and Y Zones.

Commercialising the EP-IV tight gas

Analysis of core data is required to provide an optimised reservoir stimulation design that suits the geological make-up of the EP-IV section, and to advance the project. Two horizontal stimulated wells have been drilled in this project over the last 6 years: C-76H failed for operational reasons and while C-77H produced and sold gas, improved flow rates are required for a commercial development to proceed. Core is available from the C-23z well, drilled by Oilex in 2008 as part of a multi-well program to test and develop Oligocene OS-II and Eocene EP-IV reserves. The EP-IV core included a seven metre section of carbonaceous shale related to a channel fill sequence which is restricted to a small part of the Cambay PSC area. The thin carbonaceous zone affected the seismic response and lead to the previous conclusion that the core was not representative of the EP-IV zone over the wider area. A subsurface study of the region recently completed for this purpose, has confirmed the non-channel sections of the core from C-23z are representative of the broader EP-IV reservoir. Importantly, an inspection of the core by the Company and its consultants has confirmed that it retains the integrity required for the purposes of geo-mechanical and proppant embedment studies. This provides a low cost solution to advance the project.

In October 2016 Oilex reached an agreement with GSPC under which Oilex can progress the drilling of a new well by undertaking sole liability for all associated expenditure. Subject to the exercise by GSPC of prescribed back-in rights, as detailed in the Company's announcement on 17 October 2016. Oilex will be entitled to receive 100% of any revenue arising from this well.

Whilst a new vertical well is included in the planned work programme for 2016/17, the timetable for this well is uncertain pending the outcome of the core analysis of C-23z. Additionally GSPC is running a sale process of its 55% interest in Cambay in which Oilex submitted a conditional offer. Completion of this process may result in a new partner entering the project or the Company increasing its participating interest. In addition to GSPC's agreement to any potential sale, Indian regulatory approvals will be required to effect the sale/transfer of GSPC's interest in Cambay. Oilex as Operator holds a pre-emptive right in respect of the possible sale of GSPC's interest in Cambay to a third party.

Cambay-73 and Cambay-77H

Approval from the regulator is being sought to bring previous producing wells C-73 and C-77H back on line. Production was terminated in mid-2016 as the government approved period for test production had expired.

Production Sharing Contract (PSC) Term

The current PSC term expires on 23 September 2019. The Company has commenced preparation of documentation to support a request for grant of extension to the Cambay PSC, under a recent Government of India policy, for a period of up to an additional ten years. The application for extension must be submitted by 23 September 2017. This new policy remains untested.

Cambay Joint Venture Management

GSPC, the Joint Venture partner approved the Work Programme & Budget (WP&B) for the Cambay Field for FY 2016-17. This is currently awaiting government approval.

The WP&B for FY 2017-18 has been tabled and is awaiting Joint Venture and subsequent regulatory approval.

As at 31 December 2016 the Joint Venture partner owed ~US$6.7 million to the Cambay Joint Venture. Oilex continues to engage with its Joint Venture partner to resolve the unpaid cash calls. Oilex as Operator, continues to bear the ongoing costs of the Joint Venture and has managed payment of the Cambay Joint Venture creditors.

Bhandut Field

Oilex is the Operator and holds a 40% equity in the Bhandut Field, with GSPC holding the remaining participating interest.

During the period the Government of India approved the extension of the Bhandut Petroleum Mining Lease (PML) for a further three years to 22 September 2019. The extended Bhandut PML end date is consistent with the remaining PSC term. Production was shut in during October 2016 due to increasing water cut. The Company continues to investigate options to re-open production.

The field has ongoing exploration potential, coupled with existing production facilities. The Company is currently in discussion with a number of parties, seeking expressions of interest for a possible sale of its participating interest in the PSC.

Wallal Graben - Western Australia (Canning Basin)

The Wallal Graben asset is located adjacent to the Pilbara, a global resource centre for iron ore and LNG in Western Australia.

The Wallal Graben blocks are currently under application with the Department of Mines and Petroleum (DMP). They are frontier exploration blocks that represent a potential low cost entry to an underexplored area. Oilex continues to investigate low cost exploration techniques, de-risking tools and approaches that address the geological uncertainties in this basin and potentially provide an alternative lower cost work programme to the currently offered levels which were determined in a higher oil price environment.

Final award of the blocks requires signing of Heritage Agreements with the Nyangumarta and Njamal People and is linked to a request to the DMP that all three blocks be awarded simultaneously. Consultations on the Heritage Agreements are nearly complete following which the DMP will make an offer to grant a Petroleum Exploration Permit for each of the three blocks to Oilex for its final acceptance. Oilex can review its interest in pursuing these applications up to time of final acceptance.

JPDA 06-103

Oilex as operator, and on behalf of the JPDA 06-103 Joint Venture participants, continues to seek a resolution to the dispute with Autoridade Nacional do Petroleo e Minerais (ANPM) in relation to matters associated with the termination of JPDA 06-103 PSC. In July 2015, the ANPM rejected the Joint Venture request to terminate the PSC by mutual agreement in good standing and without penalty, and the ANPM sought to impose a penalty of US$17,018,790 upon the Joint Venture. The Joint Venture undertook significantly more exploration expenditure than required during the PSC term and believes the excess was not properly accounted for in accordance with the terms of the PSC.

Notwithstanding the Group's belief that no penalty is applicable, both parties have made a number of offers to settle the matter, none of which have been mutually acceptable. In view of ongoing discussions to resolve this matter, the Group has elected to make a provision of US$600,000 as at 31 December 2016, being the Group's share of a possible settlement of the JPDA matter. The provision, timing and or settlement, if any, is subject to variation dependent upon ongoing negotiations with the ANPM.

The Joint Venture continues its discussions with the ANPM and remains hopeful an amicable settlement will be reached. If the parties are unable to reach an amicable settlement, any party may refer the matter to arbitration. If this occurs, the obligations and liabilities of the Joint Venture participants under the PSC are joint and several, with parent company guarantees provided by all Joint Venture participants. Oilex has a 10% participating interest in the Joint Venture and is the Operator.

West Kampar

Oilex continues to pursue the enforcement of the Arbitration Award and a commercial settlement with respect to its interest in the West Kampar PSC, onshore Sumatra, Indonesia.

At the end of 2016 the Indonesian Operator applied in the Indonesian courts for a debt payment obligation suspension. This was denied and the operating company, PT Sumatera Persada Energi was declared bankrupt. Oilex has received confirmation from the Indonesian Government regulator that Oilex still retains its original 45% participating interest in the PSC. Oilex has instructed its legal advisors to continue to protect Oilex's claims, as well as its interest in the PSC.

Emphasis of Matter

The auditor's review report contains an emphasis of matter in relation to the potential uncertainty regarding continuation as a going concern. The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business. The Group will require funding in order to continue its exploration activities and progress the Cambay Field drilling programme.

The funding requirements of the Group are reviewed on a regular basis by the Group's Chief Financial Officer and Managing Director and are reported to the Board at each board meeting to ensure the Group is able to meet its financial obligations as and when they fall due. Until sufficient operating cash flows are generated from its operations, the Group remains reliant on equity raisings, joint venture contributions or debt funding, as well as asset divestitures or farmouts to fund its expenditure commitments.

The Company continues to actively develop funding options in order that it can meet its expenditure commitments and its planned future discretionary expenditure, as well as any contingent liabilities that may arise.

Further information is provided in Note 2 (b) of the consolidated financial statements.

Corporate

Oilex settled its claim with the Company's insurers to recover part of the costs associated with the Zeta Resources Limited litigation with the proceeds from the settlement of $693,400 received in January 2017.

The Company implemented additional material cost reduction initiatives during the period reflecting the proposed activity level for 2017 and the requirement to direct cash resources to the planned activity programme at Cambay. The cost reductions, undertaken in both Perth and India, included a 30% overall reduction in the number of personnel and a 14% average reduction in salaries and wages for existing personnel.

Significant Events After Balance Date

On 23 February 2017 Mr Bradley Lingo was appointed interim Chairman. Mr Cozijn stepped down as Chairman and continues as a Non-Executive Director.

On 15 March 2017 as part of the placement and planned appointment of Cornhill Capital Limited (Cornhill) as its AIM broker the Company was required to terminate its annual corporate advisory services from Paterson Securities Limited, effective July 2017. In addition to all other accrued amounts as at this date, the Company is required to prepay fees for this period in the amount of $225,205.

On 15 March the Company executed a Placing Agreement with Cornhill to complete a two (2) tranche placement for 488.8 million ordinary shares to raise approximately £1.1 million ($1,783,400) before costs. Tranche 2 is subject to shareholder approval. It is anticipated that following the successful completion of Tranche 1, the Company will appoint Cornhill as its AIM Broker.

There are no other significant subsequent events occurring after balance date.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 4 and forms part of the Directors' Report for the half year ended 31 December 2016.

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

Bradley W. Lingo

Mr Brad Lingo
Chairman

Mr Jonathan Salomon
Managing Director

West Perth, Western Australia
16 March 2017

KPMG

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

To: the directors of Oilex Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Graham Hogg
Partner

Perth

16 March 2017

OILEX LTD
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 $	31 December 2015 $
Revenue	6(a)	**63,468**	166,459
Cost of sales	6(b)	**(190,675)**	(538,387)
Gross loss		**(127,207)**	(371,928)
Other income	6(c)	**190,853**	758
Exploration expenditure		**(134,767)**	(4,116,721)
Impairment of exploration and evaluation assets		**-**	(11,572,740)
Impairment of development assets		**-**	(3,466,892)
Administration expense	6(d)	**(1,384,795)**	(2,272,774)
Share-based payments expense		**(5,825)**	(42,627)
Other expenses	6(e)	**(1,734,570)**	(1,385,762)
Results from operating activities		**(3,196,311)**	(23,228,686)
Finance income		**10,720**	35,611
Finance costs		**(53)**	(258)
Net foreign exchange loss	6(f)	**(57,762)**	(114,409)
Net finance loss		**(47,095)**	(79,056)
Loss before income tax		**(3,243,406)**	(23,307,742)
Tax expense		**-**	-
Loss for the period		**(3,243,406)**	(23,307,742)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		**53,821**	1,297,283
Other comprehensive income for the period, net of income tax		**53,821**	1,297,283
Total comprehensive loss for the period		**(3,189,585)**	(22,010,459)
Earnings per share			
Basic loss per share (cents per share)		**(0.27)**	(2.07)
Diluted loss per share (cents per share)		**(0.27)**	(2.07)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

OILEX LTD

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	31 December 2016 $	30 June 2016 $
Assets			
Cash and cash equivalents		**1,886,040**	5,158,361
Trade and other receivables	7	**2,310,928**	2,235,737
Prepayments		**25,277**	79,441
Inventories		**1,271,791**	1,238,553
Total current assets		**5,494,036**	8,712,092
Trade and other receivables	7	**-**	102,343
Exploration and evaluation	8	**923,664**	909,593
Development assets	9	**6,302,199**	6,139,004
Property, plant and equipment		**254,876**	263,400
Total non-current assets		**7,480,739**	7,414,340
Total assets		**12,974,775**	16,126,432
Liabilities			
Trade and other payables	10	**2,183,728**	2,914,769
Employee benefits		**197,879**	356,510
Provisions	11	**1,015,754**	181,794
Total current liabilities		**3,397,361**	3,453,073
Provisions	11	**3,432,200**	3,344,385
Total non-current liabilities		**3,432,200**	3,344,385
Total liabilities		**6,829,561**	6,797,458
Net assets		**6,145,214**	9,328,974
Equity			
Issued capital	12	**171,613,760**	171,513,760
Reserves		**7,950,078**	8,425,861
Accumulated losses		**(173,418,624)**	(170,610,647)
Total equity		**6,145,214**	9,328,974

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company				
	Issued Capital $	Option Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2015	153,928,046	2,342,059	6,351,222	(136,017,376)	26,603,951
Total Comprehensive (loss)/income for the period					
Loss	-	-	-	(23,307,742)	(23,307,742)
Other comprehensive income					
Foreign currency translation differences	-	-	1,297,283	-	1,297,283
Total other comprehensive income	-	-	1,297,283	-	1,297,283
Total comprehensive (loss)/ income for the period	-	-	1,297,283	(23,307,742)	(22,010,459)
Transactions with owners of the Company					
Contributions and distributions					
Shares issued	20,641,249	-	-	-	20,641,249
Capital raising costs	(3,055,535)	-	-	-	(3,055,535)
Transfers on forfeited options	-	(1,419,700)	-	1,419,700	-
Share-based payment transactions	-	42,627	-	-	42,627
Total transactions with owners of the Company	17,585,714	(1,377,073)	-	1,419,700	17,628,341
Balance at 31 December 2015	171,513,760	964,986	7,648,505	(157,905,418)	22,221,833
Balance at 1 July 2016	171,513,760	930,742	7,495,119	(170,610,647)	9,328,974
Total Comprehensive (loss)/income for the period					
Loss	-	-	-	(3,243,406)	(3,243,406)
Other comprehensive income					
Foreign currency translation differences	-	-	53,821	-	53,821
Total other comprehensive income	-	-	53,821	-	53,821
Total comprehensive (loss)/ income for the period	-	-	53,821	(3,243,406)	(3,189,585)
Transactions with owners of the Company					
Contributions and distributions					
Shares issued	100,000	(100,000)	-	-	-
Capital raising costs	-	-	-	-	-
Transfers on forfeited options	-	(435,429)	-	435,429	-
Share-based payment transactions	-	5,825	-	-	5,825
Total transactions with owners of the Company	100,000	(529,604)	-	435,429	5,825
Balance at 31 December 2016	171,613,760	401,138	7,548,940	(173,418,624)	6,145,214

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	31 December 2016 $	31 December 2015 $
Cash flows from operating activities		
Cash receipts from customers	**89,990**	162,402
Payments to suppliers and employees	**(2,619,420)**	(2,304,685)
Cash outflows from operations	**(2,529,430)**	(2,142,283)
Payments for exploration and evaluation expenses	**(681,764)**	(3,551,448)
Interest received	**10,518**	28,291
Interest paid	**(53)**	(258)
Net cash used in operating activities	**(3,200,729)**	(5,665,698)
Cash flows from investing activities		
Payments for capitalised exploration and evaluation	**-**	(857,776)
Proceeds from sale of assets	**474**	2,566
Acquisition of development assets	**(2,240)**	(197,728)
Acquisition of property, plant and equipment	**(18,853)**	(24,655)
Net cash used in investing activities	**(20,619)**	(1,077,593)
Cash flows from financing activities		
Proceeds from issue of share capital	**-**	20,821,334
Payment for share issue costs	**-**	(3,643,264)
Net cash from financing activities	**-**	17,178,070
Net (decrease)/increase in cash held	**(3,221,348)**	10,434,779
Cash and cash equivalents at 1 July	**5,158,361**	1,187,158
Effect of exchange rate fluctuations	**(50,973)**	(75,249)
Cash and cash equivalents at 31 December	**1,886,040**	11,546,688

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

1. REPORTING ENTITY

Oilex Ltd (the Company) is domiciled in Australia. The condensed consolidated interim financial report of the Group as at and for the half year ended 31 December 2016 comprise the Company and its subsidiaries (collectively the Group and individually Group Entities). Oilex Ltd is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and on the Alternative Investment Market (AIM) of the London Stock Exchange. The Group is a for-profit entity and is primarily involved in the exploration, evaluation, development and production of hydrocarbons.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2016 is available upon request from the Company's registered office at Ground Floor, 44a Kings Park Road, West Perth, Western Australia 6005 or at www.oilex.com.au.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The condensed consolidated interim financial report is a general purpose condensed financial report which has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001,* and IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial report does not include all of the notes and information included in an annual financial report and accordingly this report should be read in conjunction with the consolidated annual financial report of the Group as at and for the year ended 30 June 2016.

This condensed consolidated interim financial report was authorised for issue by the Board of Directors on 15 March 2017.

(b) Going Concern Basis

The Directors believe it is appropriate to prepare the consolidated financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss of $3,243,406 and had cash outflows from operating and investing activities of $3,200,729 and $20,619 respectively. As at 31 December 2016, the Group's current assets exceeded current liabilities by $2,096,675 and the Group has cash and cash equivalents of $1,886,040.

The Group will require additional funds within the next twelve months in order to meet planned expenditures for its projects, including progressing the Cambay Field drilling programme, and for any new business opportunities that the Group may acquire and ongoing administrative expenses. The Group may also require funds in relation to the matter set out in note 13. The Group is well progressed in a placement to raise approximately £1.1 million ($1,783,400) before costs (refer to note 17), however further funding will be required within the next twelve months to allow the Group to execute all of its plans. The Group will continue to manage its expenditure to ensure that it has sufficient cash reserves for at least the next twelve months.

The Directors believe that the Company will be able to secure sufficient funding to meet the requirements to continue as a going concern, due to its history of previous capital raisings, acknowledging that the structure and timing of any capital raising is dependent upon investor support, prevailing capital markets, shareholder participation, oil and gas prices and the outcome of planned exploration and evaluation activities, which creates uncertainty.

The Directors consider the going concern basis of preparation to be appropriate based on its forecast cash flows for the next twelve months and that the Group will be in a position to continue to meet its minimum administrative, evaluation and development expenditures and commitments for at least twelve months from the date of this report.

If further funds are not able to be raised or realised, then it may be necessary for the Group to sell or farmout its exploration and development assets and to reduce discretionary administrative expenditure.

The ability of the Company to achieve its forecast cash flows, particularly the raising of additional funds, represents a material uncertainty that may cast significant doubt about whether the Company can continue as a going concern, in which case it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the stated amounts in the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below, the accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2016.

The Group has adopted the following new and revised accounting standards that are mandatory for entities with an annual reporting period beginning on 1 July 2016:

AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to AASB 116 and ASBB 138)* clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment and is effective for annual reporting periods beginning on or after 1 July 2016.

AASB 2014-3 *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations* sets out the guidance on the accounting for acquisition of interests in joint operations in which the activity constitutes a business and is effective for annual reporting periods beginning on or after 1 July 2016.

AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101.* The standard makes amendments to AASB 101 *Presentation to Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments encourage preparers to exercise judgement in presenting their financial reports. The amendments make clear that materiality applies to the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments clarify that judgement should be used in determining where and in what order information is presented in the financial disclosures and is effective for annual reporting periods beginning on or after 1 January 2016.

The adoption of these newly effective standards have no material effect on the financial position or the consolidated financial statements of the Group.

4. ESTIMATES AND JUDGEMENTS

The preparation of a condensed consolidated interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2016.

5. OPERATING SEGMENTS

The Group has identified its operating segments based upon the internal reports that are reviewed and used by the executive management team in assessing performance and that are used to allocate the Group's resources. There has been no change in the basis of segmentation from the Group's 30 June 2016 annual consolidated financial report.

	India		Australia		JPDA [1]		Indonesia		Corporate [2]		Consolidated	
Six months ended 31 December	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue												
External Revenue	**63,468**	166,459	**-**	-	**-**	-	**-**	-	**-**	-	**63,468**	166,459
Reportable segment loss before income tax	**(1,052,064)**	(20,208,513)	**(60,916)**	(313,574)	**(817,729)**	(279,298)	**(5,740)**	(47,401)	**(1,259,862)**	(2,379,900)	**(3,196,311)**	(23,228,686)
Net finance income											**10,667**	35,353
Foreign exchange gain/(loss)											**(57,762)**	(114,409)
Loss for the period											**(3,243,406)**	(23,307,742)

	India		Australia		JPDA [1]		Indonesia		Corporate [2]		Consolidated	
	31 Dec 2016	30 June 2016	**31 Dec 2016**	30 June 2016	**31 Dec 2016**	30 June 2016	**31 Dec 2016**	30 June 2016	**31 Dec 2016**	30 June 2016	**31 Dec 2016**	30 June 2016
	$	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$
Segment assets	**9,933,990**	10,638,650	**373,986**	374,226	**28,331**	45,561	**-**	-	**2,638,468**	5,067,995	**12,974,775**	16,126,432
Segment liabilities	**3,987,978**	4,640,250	**5,000**	-	**836,440**	6,196	**239,409**	232,011	**1,760,734**	1,919,001	**6,829,561**	6,797,458

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

[1] Joint Petroleum Development Area.

[2] Corporate represents a reconciliation of reportable segment revenues, profit or loss and assets to the consolidated figure.

6. REVENUE AND EXPENSES

	31 December 2016 $	31 December 2015 $
(a) Revenue		
Oil sales	**9,747**	40,194
Gas sales	**53,721**	126,265
	63,468	166,459
(b) Cost of Sales		
Production costs	**(191,140)**	(546,316)
Amortisation of development assets	**(223)**	(4,984)
Movement in oil stocks inventory	**688**	12,913
	(190,675)	(538,387)
(c) Other Income		
Recovery of recharges	**190,853**	-
Sale of scrap material	**-**	758
	190,853	758

Recovery of recharges relate to the recovery of head office expenditure recharged to the Cambay Joint Venture, reclassified from joint venture receivables to development assets in the year ended 30 June 2015, then subsequently impaired in the year ended 30 June 2016 and recovered in the current period.

	31 December 2016 $	31 December 2015 $
(d) Administration Expenses		
Employee benefits expense	**(691,453)**	(458,127)
Redundancy benefits	**(191,519)**	-
Administration expense	**(885,692)**	(1,395,314)
Corporate Advisory Fee	**(300,000)**	-
Zeta Resources Limited legal costs	**(9,531)**	(419,333)
Insurance recovery	**693,400**	-
	(1,384,795)	(2,272,774)
(e) Other Expenses		
Depreciation expense	**(27,594)**	(32,610)
Loss on disposal of assets	**(3,335)**	-
Provision for termination penalty (refer note 13)	**(795,123)**	-
Provision for doubtful debts	**(908,518)**	(1,353,152)
	(1,734,570)	(1,385,762)
(f) Foreign Exchange loss - net		
Foreign exchange loss - realised	**(2,026)**	(32,437)
Foreign exchange loss - unrealised	**(55,736)**	(81,972)
	(57,762)	(114,409)

7. TRADE AND OTHER RECEIVABLES

	31 December 2016 $	Year Ended 30 June 2016 $
Current		
Allocation of receivables		
Joint venture receivables	**978,019**	1,583,668
Other receivables	**1,332,909**	652,069
	2,310,928	2,235,737
Joint venture receivables		
Joint venture receivables	**6,623,905**	6,169,854
Provision for doubtful debts	**(5,645,886)**	(4,586,186)
	978,019	1,583,668
Other receivables		
Corporate receivables	**1,413,417**	732,577
Provision for doubtful debts	**(80,508)**	(80,508)
	1,332,909	652,069
Non-current		
Other receivables - India TDS (tax deducted at source)	**-**	102,343
	-	102,343

Joint venture receivables include the Group's share of outstanding cash calls and recharges owing from the joint venture partners.

The Group considers that there is evidence of impairment if any of the following indicators are present; financial difficulties of the debtor, probability that the debtor will dispute the amounts owing and default or delinquency in payment (more than one year old).

Whilst the Group has been in discussions with its joint venture partner Gujarat State Petroleum Corporation, for repayment of disputed and other amounts owing, in line with identified impairment indicators, the balance of Cambay cash calls receivable relating to the current financial period, has been fully provided for in the current period.

The Group is continuing discussions in order to resolve the outstanding issues and recover payment of the outstanding amounts.

Other receivables include $693,400 receivable from the insurance claim made by the Company in relation to the Zeta Resources Limited litigation.

	31 December 2016 $	Year Ended 30 June 2016 $
Movement in the provision for doubtful debts		
Opening balance	**(4,666,694)**	(782,919)
Provisions made during the period	**(908,518)**	(3,941,988)
Effect of movements in foreign exchange rates	**(151,182)**	58,213
Closing balance	**(5,726,394)**	(4,666,694)
Allocation of provision		
Joint venture receivables	**(5,645,886)**	(4,586,186)
Other receivables	**(80,508)**	(80,508)
	(5,726,394)	(4,666,694)

8. EXPLORATION AND EVALUATION

	31 December 2016 $	Year Ended 30 June 2016 $
Opening balance	**909,593**	11,644,674
Expenditure capitalised	**-**	469,190
Transfer to development assets	**-**	(193,585)
Impairment of exploration and evaluation expenditure	**-**	(11,572,740)
Effect of movements in foreign exchange rates	**14,071**	562,054
Closing balance	**923,664**	909,593

Exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of impairment. When a well does not result in the successful discovery of potentially economically recoverable reserves, or if sufficient data exists to indicate the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full, either by development or sale, it is impaired.

In the year ended 30 June 2016 the Group recognised an impairment of $11,572,740 relating to Cambay-72, Cambay-19z and the initial acquisition cost of the Indian assets following an internal evaluation which showed that these assets are unlikely to fully recover costs capitalised to date.

9. DEVELOPMENT ASSETS

	31 December 2016 $	Year Ended 30 June 2016 $
Cost		
Opening balance	**16,161,010**	15,647,996
Transfer from exploration	**-**	193,585
Transfer to joint venture receivables	**-**	(347,029)
Acquisition of development assets	**2,230**	163,827
Effect of movements in foreign exchange rates	**403,009**	502,631
Closing balance	**16,566,249**	16,161,010
Amortisation and Impairment Losses		
Opening balance	**10,022,006**	-
Impairment of development assets	**-**	10,023,940
Amortisation charge for the period	**223**	46,651
Effect of movements in foreign exchange rates	**241,821**	(48,585)
Closing balance	**10,264,050**	10,022,006
Carrying Amounts		
Opening balance	**6,139,004**	15,647,996
Closing balance	**6,302,199**	6,139,004

Development assets are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of impairment. Indicators of impairment include changes in: market conditions, future oil and gas prices and future costs. Where an indicator of impairment exists, the assets recoverable amount is estimated. Development assets are assessed for impairment on a cash generating unit (CGU) basis. The CGU is the Cambay Field, India.

Impairment is recognised when the carrying value exceeds the recoverable amount of the asset or CGU. The recoverability of the Cambay Field development assets was estimated using a discounted cash flow model. Fair value less cost to sell is determined by estimating future cash flows after taking into account the risks specific to the asset, then discounting it to its present value using an appropriate discount rate. If the carrying value exceeds its recoverable amount, the asset is written down and the impairment loss recognised in the income statement.

9. DEVELOPMENT ASSETS (CONTINUED)

Significant judgements and assumptions are required by management in estimating the present value of future cash flows particularly in the assessment of long life development assets. It should be noted that discounted cash flow calculations are subject to variability in key assumptions including, but not limited to, long-term oil and gas prices, currency exchange rates, discount rates, production profiles and operating costs. An adverse change in one or more of the assumptions used to estimate fair value less cost to sell could result in a reduction in the development asset's recoverable amount.

The key assumptions used for the determination of the discounted cash flow assessment were based upon projected gas and condensate production assuming an extension to the PSC. Projected production remains below 1C resources.

Natural gas prices are based upon the Company's review of analyst forecast Asian DES LNG spot prices, which were adjusted for local Indian LNG processing charges and Indian taxes. Nominal prices average at approximately US$5 per mmbtu through to 2024 before rising steadily to US$13 per mmbtu by 2029.

Nominal oil prices, derived from independent forward price curves (US$/bbl) used were $55 in 2017, rising to $60 in 2018, $63 in 2019 and steady at approximately $65 through to the end of December 2021, with a long term price of $72.

The PSC primary term expires in September 2019. The Government of India has issued a PSC extension policy which enables the Company to apply for an extension to the PSC to the earlier of the economic life of the field or 2029, subject to a field development plan being submitted. The CGU's recoverable amount includes the assumption that the extension will be obtained.

The assumption for long-term US inflation rate was 2.2% and for AUD/USD was $0.75. The AUD/USD rate as at 31 December was 0.7236. The pre-tax nominal discount rate adopted was 16.18%.

The Company has certain specific risks in implementing its planned development of Cambay which are not fully considered by the pre-tax discount rate. Accordingly, the Company has risked the discounted cash flow calculation for these specific risks including the well success, grant of PSC extensions and well completion technologies by applying an estimated risk factor for each risk as at 31 December 2016.

Whilst oil prices have increase slightly, the December 2016 discounted cash flow assessment remained materially consistent with that calculated at 30 June 2016 and therefore no impairment or reversal was required in the current period.

10. TRADE AND OTHER PAYABLES

	31 December 2016 $	Year Ended 30 June 2016 $
Trade creditors	**994,830**	1,887,716
Accruals	**1,188,898**	1,027,053
	2,183,728	2,914,769

The Company's assessment of the recoverability of outstanding cash call amounts owing from its joint venture partner GSPC has resulted in prior period impairment (refer note 7) and consequently the Company is of the opinion that the Joint Venture will be unable to meet its third party liabilities without financial support from the Company as Operator, due to non-payment of outstanding cash calls.

The balance that the Group has accrued has reduced to $88,607 as at 31 December 2016 (June 2016: $467,924, December 2015: $1,723,200) to cover Cambay, Bhandut and Sabarmati Joint Venture third party liabilities.

11. PROVISIONS

	31 December 2016 $	Year Ended 30 June 2016 $
Site restoration, well abandonment and other provisions		
Opening balance	**3,526,179**	3,595,742
Provision adjustments during the period (refer note13)	**829,187**	(196,334)
Effect of movements in exchange rates	**92,588**	126,771
Closing balance	**4,447,954**	3,526,179
Current	**1,015,754**	181,794
Non-current	**3,432,200**	3,344,385
	4,447,954	3,526,179

12. ISSUED CAPITAL

	31 December 2016 Number of Shares	**31 December 2016 $ Issued Capital**	30 June 2016 Number of Shares	30 June 2016 $ Issued Capital
Shares				
On issue 1 July - fully paid	**1,180,426,999**	**171,513,760**	677,906,039	153,928,046
Issue of share capital				
Shares issued for cash	**-**	**-**	502,520,960	20,641,249
Shares issued for non-cash [(1)]	**12,987,013**	**100,000**	-	-
Capital raising costs		**-**		(3,055,535)
On issue at the end of the period - fully paid	**1,193,414,012**		1,180,426,999	
Issued Capital as at the end of the period		**171,613,760**		171,513,760

[(1)] On 24 November 2016, the Company issued 12,987,013 new ordinary shares for a non-cash consideration of $100,000 ($0.0077 per share) as part of the remuneration of the Managing Director, Mr Jonathan Salomon as approved by the shareholders at the AGM held on 23 November 2016.

Shareholders also approved the issue of 2,000,000 retention rights and on 19 December 2016, the Company announced that it had issued 2,000,000 retention rights to new ordinary shares.

These retention rights will convert into fully paid ordinary shares upon Mr Salomon's employment with the Company being extended beyond 18 March 2017.

13. PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

Contingent Liabilities at Reporting Date

In November 2006, Oilex (JPDA 06-103) Ltd (Operator) and the Joint Venture parties entered into a Production Sharing Contract (PSC) with the Designated Authority for JPDA 06-103 and the PSC was signed in January 2007 (effective date 15 January 2007).

On 12 July 2013 the Operator, on behalf of the Joint Venture participants, submitted to the Autoridade Nacional do Petroleo e Minerais (ANPM), a request to terminate the PSC by mutual agreement in accordance with its terms and without penalty or claim due to the ongoing uncertainty in relation to security of tenure. This request required the consent of the Timor Sea Designated Authority.

On 15 May 2015 the ANPM issued a Notice of Intention to Terminate and on 15 July 2015 issued a Notice of Termination and Demand for Payment (Notice). The demand for payment (100%) of the penalty claim of US$17,018,790 is the ANPM's estimate of the cost of exploration activities not undertaken in 2013, as well as certain local content obligations set out in the PSC. In addition, the ANPM asserts that the Joint Venture Partners are liable to interest on the monetary claim at a rate of 5.2% compounded monthly.

The Joint Venture has made significant overpayments in the PSC work programme and considers certain excess expenditure should be included as part of any financial assessment incorporated within the termination process. Notwithstanding the Group's belief that no penalty is applicable, both parties have made a number of offers to settle the matter, none of which have yet resulted in settlement of the matter. In view of ongoing activities to resolve this matter, the Group has recorded a provision of US$600,000 (refer note 11) as at 31 December 2016, being the Group's share of a possible settlement of the JPDA matter, refer note 11. The provision and or settlement is subject to variation dependent upon ongoing negotiations with the ANPM.

In the event the parties are unable to reach an amicable settlement, any party may refer the matter to arbitration. The obligations and liabilities of the Joint Venture participants under the PSC are joint and several.

The equity interest of the Joint Venture participants are:

Oilex (JPDA 06-103) Ltd	10%
Pan Pacific Petroleum (JPDA 06-103) Pty Ltd	15%
Japan Energy E&P JPDA Pty Ltd	15%
GSPC (JPDA) Limited	20%
Videocon JPDA 06-103 Limited	20%
Bharat PetroResources JPDA Ltd	20%
Total	100%

Contingent Assets at Reporting Date

Contingent assets related to an insurance claim receivable by the Company for which the amount was not capable of reliable measurement, nor virtually certain. This claim has now been settled, with $693,400 accrued as a receivable as per note 7.

	31 December 2016 $	Year Ended 30 June 2016 $
Contingent assets not otherwise accounted for in this financial report		
Insurance claim made or pending net of excess up to	-	900,000

14. RELATED PARTIES

Arrangements with related parties continue to be in place. For details of these arrangements, refer to the consolidated annual financial report of the Group as at and for the year ended 30 June 2016.

During the reporting period Mr Jonathan Salomon was granted 12,987,013 fully paid ordinary shares, valued at $100,000, as part of his remuneration as Managing Director, as approved by shareholders at the AGM held on 23 November 2016. The value of these shares had been included in Mr Salomon's remuneration in the year ended 30 June 2016.

Shareholders at the AGM also approved the issue of 2,000,000 retention rights to ordinary shares. These retention rights will convert into fully paid ordinary shares upon Mr Salomon's employment with the Company being extended beyond 18 March 2017.

15. CHANGE IN THE COMPOSITION OF THE GROUP

Since the last annual reporting date, there have been no significant changes in the composition of the Group.

16. EXPENDITURE COMMITMENTS

Exploration Expenditure Commitments

In order to maintain rights of tenure to exploration permits, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various state and national governments. These obligations are subject to renegotiation when application for an exploration permit is made and at other times. These obligations are not provided for in the financial report. The expenditure commitments are currently estimated to be payable as follows:

	31 December 2016 $	Year Ended 30 June 2016 $
Within one year	-	-
One year or later and no later than five years	-	-
	-	-

Future commitments include the Canning Basin Exploration Permit Applications. The formal exploration permit period does not commence until Oilex accepts an offer of a Petroleum Exploration Permit from the Government of Western Australia, Department of Mines and Petroleum.

There are no minimum exploration work commitments in the Cambay and Bhandut Production Sharing Contracts.

When obligations expire, are re-negotiated or cease to be contractually or practically enforceable, they are no longer considered to be a commitment.

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

Capital Expenditure Commitments

The Group had no capital expenditure commitments as at 31 December 2016 (30 June 2016: Nil).

17. SUBSEQUENT EVENTS

On 23 February 2017 Mr Bradley Lingo was appointed interim Chairman. Mr Cozijn stepped down as Chairman and continues as a Non-Executive Director.

On 15 March 2017 as part of the placement and planned appointment of Cornhill Capital Limited (Cornhill) as its AIM broker the Company was required to terminate its annual corporate advisory services from Paterson Securities Limited, effective July 2017. In addition to all other accrued amounts as at this date, the Company is required to prepay fees for this period in the amount of $225,205.

On 15 March the Company executed a Placing Agreement with Cornhill to complete a two (2) tranche placement for 488.8 million ordinary shares to raise approximately £1.1 million ($1,783,400) before costs. Tranche 2 is subject to shareholder approval.

Other than the above disclosures, there has not arisen in the interval between the end of the financial year and the date of this report an item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

OILEX LTD

ABN 50 078 652 632

DIRECTORS' DECLARATION

In the opinion of the Directors of Oilex Ltd (the Company):

1. the condensed consolidated financial statements and notes set out on pages 5 to 19, are in accordance with the *Corporations Act 2001* including:

   (a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended on that date; and

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

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Mr Brad Lingo
Chairman

Mr Jonathan Salomon
Managing Director

West Perth
Western Australia
16 March 2017

KPMG

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

We have reviewed the accompanying condensed consolidated interim financial report of Oilex Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2016, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Responsibility of the Directors for the interim financial report

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

Auditor's responsibility for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Oilex Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Oilex Ltd is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion, attention is drawn to note 2(b) of the interim financial report. The matters set forth in note 2(b) indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

KPMG

Graham Hogg
Partner

Perth

16 March 2017