OILEX LTD

ABN 50 078 652 632

INTERIM REPORT

31 December 2018

INTERIM REPORT 31 DECEMBER 2018

CONTENTS

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 2018 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
Mr Paul Haywood	Non-Executive Director
Mr Jonathan Salomon	Managing Director

Financial

The Group incurred a consolidated loss after income tax of $1,512,582 for the half year (31 December 2017: loss of $3,239,011).

Revenue for the period continued from production at Cambay C-77H following the switch from C-73 in May 2018.

In the absence of a repayment schedule for outstanding cash calls from Gujarat State Petroleum Corporation (GSPC), the Company has continued to provide in full the amounts owing from its Joint Venture partner as well as amounts owing from the Cambay and Bhandut Joint Ventures. As a result, operating results include an additional $134,358 (31 December 2017: $1,580,298) impairment of these receivables. Furthermore, the Group has accrued an additional $57,159 (31 December 2017: $53,679) to cover GSPC's share of Cambay, Bhandut and Sabarmati Joint Venture third party liabilities.

Cash and cash equivalents held by the Group as at 31 December 2018 was $1,282,692 (30 June 2018: $375,507), increasing shortly thereafter to approx. $2.1m with the completion of the equity capital raise announced in December 2018.

Review of Operations

The Company's primary objective is to maximise shareholder value from its principal asset in the Cambay Basin, located onshore Gujarat State in India, whilst also continuing to review other opportunities to create value and diversify risk by adding new assets to the Company's project portfolio.

To that end, Oilex continues to evaluate and implement a range of technical programme options to progress its main objective of accessing the significant gas resource present in siltstones in the EP-IV reservoir at the Company's Cambay Production Sharing Contract (PSC). North American unconventional drilling, completion and stimulation technologies have been applied by the Joint Venture over the last six years with positive but commercially modest results and work is underway to optimise results for future work programmes. The current work programmes are focused on:

- Reaching a resolution for the outstanding cash calls payable by the Company's Joint Venture partner GSPC;
- Preparing detailed work programmes, including new wells for implementation under the approved Field Development Plan;
- Arranging the necessary funding to implement the planned work programme; and
- Continuing to evaluate new opportunities to add to the Company's project portfolio.

Cambay Field

Oilex holds a 45% equity in the Cambay Field, with GSPC holding the remaining 55% Participating Interest (PI).

The Company's plans for the 2019-20 work programme and budget (2020 WP&B) at Cambay are well advanced inclusive of drilling up to two vertical wells. Upon the approvals of the 2020 WP&B and subject to securing the necessary funding, the Company will proceed to order the long lead items for the planned work programme. The priority will be to test the drilling and stimulation recommendations from a recent Baker Hughes-GE study in the EP-IV zone. Any early production will utilise existing processing and storage facilities upgraded as required to provide a low-cost path to commercialisation. Given success, a larger drilling programme will follow, with the aim of aggregating sufficient production volumes to connect to the high-pressure pipelines which offer greater offtake stability and improved gas prices. We note that the 2020 WP&B has not been approved by the Joint Venture Operating Committee pending a settlement agreement with GSPC on the Event of Default Notice (EoD Notice).

During the six month period to 31 December 2018, production from C-73 averaged 0.11 mmscfd with 3.84 bopd condensate and 2.96 bopd oil (Oilex net 11.56 boepd). Subsequent to period end, the well was shut in.

Cambay Joint Venture Management

By way of background, on 29 May 2018, the Company issued the EoD Notice to GSPC in accordance with the Joint Operating Agreement (JOA) for the amount of equivalent US$3,054,832. The EoD Notice was issued as a result of GSPC's ongoing failure to pay its PI share of Cambay PSC expenses. GSPC failed to remedy its default within 60 days and, in accordance with the JOA, Oilex formally requested the Directorate General of Hydrocarbons and the Ministry of Petroleum and Natural Gas, India to transfer GSPC's PI in the Cambay PSC to the Company. This was announced by Oilex on 30 July 2018.

On 13 August 2018, GSPC subsequently served an *ex-parte* interim stay order (IAAP No. 130 of 2018) from the High Court of Gujarat (Court) directing the Company not to take any coercive steps against GSPC (Order) with regard to the EoD Notice. As disclosed in the Company's announcement of 13 August 2018, the Order was awarded on an interim basis to delay the transfer of GSPC's PI in the Cambay PSC to Oilex.

Following various appearances in the Court, on 5 November 2018 the Company announced that that the Court had decided on all applications pending regarding the Order obtained by GSPC. The Court issued and passed judgement further delaying the implementation of the EoD Notice dated 29 May 2018 and Notice of Withdrawal of Participating Interest dated 29 July 2018, subject to the fulfilment of all of the following conditions:

a) GSPC is directed to deposit a sum of Rs.8.25 crores rupees (US$1.1 million approx) before the Court in the name Registrar of the High Court on or before by 15 November 2015[#];

b) GSPC is directed to submit a bank guarantee for Rs.21.75 crores rupees (US$3.0 million approx) in the name of Registrar of High Court of Gujarat latest by 15 November 2015[#]; and

c) GSPC shall commence arbitration proceedings on or before 1 December 2018.

[#] *We were advised by our Indian legal counsel that the applicable date should read 2018*

On 16 November 2018, the Company advised that it had formally confirmed with the Court that GSPC had submitted the required funds in compliance with its order. Furthermore, on 19 November 2018 the Company advised that it received notice from the Singapore International Arbitration Centre (SIAC) that GSPC had invoked the dispute resolution provisions of the JOA. Pursuant to the order issued by the Court, as announced by the Company on 5 November 2018, following receipt of the notice from the SIAC, the abovementioned conditions imposed by the Court were met. Accordingly, the stay order remains in place pending the outcome of the SIAC arbitration proceedings or the parties reaching a commercial resolution.

Pursuant to the Order, the JOA remains in place during the arbitration proceedings. Accordingly, and amongst other matters, all parties including GSPC are required to meet their cash call obligations at this time. On 31 December, the Company announced that the Cambay JV has received INR20.5 million, approximately US$0.29 million in cash call proceeds. The payment from GSPC incorporates all Cambay cash call notices, at that time, subsequent to the EoD announced on 29 May 2018. Cash calls of approximately US$2.88 million pursuant to the EoD and net of US$0.17 million in subsequent cash call receipts in July 2018, remain outstanding. The EoD is subject to arbitration proceedings as announced on 19 November 2019.

On 29 November 2018, the Company announced that it was in discussions with GSPC and the Government of India to seek a commercial resolution to avoid arbitration, if possible, and to allow a drilling programme to proceed. These negotiations remain ongoing as at the date of this report with the Company.

As at 31 December 2018 the Joint Venture partner owed ~US$5.471 million to the Cambay Joint Venture. 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 holds a 40% equity interest in the Bhandut Field, with GSPC holding the remaining primary interest. The field is currently on care and maintenance; however, the field has ongoing production and exploration potential, coupled with existing production facilities.

Wallal Graben - Western Australia (Canning Basin)

Following an extended unsuccessful farm-out marketing effort, and given that the primary term involves significant expenditure, the Company withdrew its application for the licences in July 2018.

JPDA 06-103

In October 2018, the Company received correspondence from the Autoridade Nacional Do Petroleo E Minerais (ANPM), the body responsible of managing and regulating petroleum and mining activities in the Timor-Leste area, advising that it has submitted a Request for Arbitration (RFA) to the International Chamber of Commerce in Singapore. The RFA relates to matters associated with the termination of the JPDA 06 103 Production Sharing Contract (PSC). As at the date of this report, the panel of arbitrators has been appointed with the proposed timetable for the arbitration proceedings to be confirmed.

By way of background, in November 2006 Oilex Ltd, via its wholly owned subsidiary Oilex (JPDA 06-103) Ltd (Oilex) and its Joint Venture partners entered into the PSC with the Timor Sea Designated Authority. The PSC was signed in January 2007 (effective date 15 January 2007) and Oilex was appointed Operator.

On 12 July 2013, the Operator, on behalf of the Joint Venture, submitted to the ANPM a Request to Terminate the PSC by Mutual Agreement in accordance with the PSC terms and without Penalty or Claim (Request). The Request was issued as a result of ongoing uncertainty as to security of PSC tenure which arose as a result of a maritime boundary dispute between the Governments of Timor Leste and Australia.

On 15 May 2015, the ANPM issued a Notice of Intention to Terminate the PSC 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 (plus interest) 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 to other matters, the Joint Venture considers it has made significant over expenditure in executing the PSC work programme and that the ANPM has failed to properly assess and award credit for such additional expenditure when terminating the PSC. Notwithstanding the Joint Venture considers that no penalty payment is applicable, nonetheless the Joint Venture has made several unsuccessful offers to settle the matter in dispute.

The Company has already recorded a provision of US$600,000 in its financial statements, being the Group's 10% share of a proposed settlement offer which was made to the ANPM. The provision and or settlement has been and remains subject to review from time to time. The obligations and liabilities of the Joint Venture participants under the PSC are joint and several and all participants have provided parent company guarantees.

West Kampar

The Company remains in dispute with the operating company, PT Sumatera Persada Energi (SPE) which has been declared bankrupt. The Company has been advised by the Indonesian Government regulator, SKK Migas, that the West Kampar PSC has been terminated on 15 August 2018 following SPE's failure to meet its obligations under the PSC.

Materiality uncertainty related to going concern

The auditor's review report contains a materiality uncertainty related to going concern 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

The Company continues its efforts to preserve cash resources until a resolution is reached, either by a commercial outcome or by arbitration proceedings, for the above mentioned EoD Notice issued to GSPC.

Significant Events After Balance Date

Share issue proceeds of $721,283 (£400,000) were received in early January 2019.

Pursuant to the equity raise announcement on 18 December 2018, relating to the placement of 180,555,555 new ordinary shares at an issue price of £0.0036 (A$0.006314), the Company issued the residual balance of 13,888,889 ordinary shares on 18 January 2019 raising $87,694.

Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2018.

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

Mr Paul Hayward
Non-Executive Director

Mr Jonathan Salomon
Managing Director

West Perth, Western Australia
27 February 2019

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 of Oilex Ltd for the half-year ended 31 December 2018 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

Derek Meates
Partner
Perth
27 February 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 $	31 December 2017 $
Revenue	6(a)	**171,567**	60,813
Cost of sales	6(b)	**(199,651)**	(43,760)
Gross profit/(loss)		**(28,084)**	17,053
Exploration expenditure		**(309,037)**	(415,332)
Administration expense	6(c)	**(935,384)**	(1,142,580)
Share-based payments expense		**(70,145)**	(55,132)
Other expenses	6(d)	**(150,752)**	(1,601,851)
Results from operating activities		**(1,493,402)**	(3,197,842)
Finance income		**1,136**	3,801
Finance costs		**(31,835)**	(18)
Net foreign exchange loss	6(e)	**11,519**	(44,952)
Net finance income/(loss)		**(19,180)**	(41,169)
Loss before income tax		**(1,512,582)**	(3,239,011)
Tax expense		**-**	-
Loss for the period		**(1,512,582)**	(3,239,011)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		**98,101**	(41,528)
Other comprehensive income for the period, net of income tax		**98,101**	(41,528)
Total comprehensive loss for the period		**(1,414,481)**	(3,280,539)
Earnings per share			
Basic loss per share (cents per share)		**(0.14)**	(0.19)
Diluted loss per share (cents per share)		**(0.14)**	(0.19)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	31 December 2018 $	30 June 2018 $
Assets			
Cash and cash equivalents		**1,282,692**	375,507
Trade and other receivables	7	**669,946**	738,784
Prepayments		**38,607**	115,271
Inventories		**1,296,150**	1,303,245
Total current assets		**3,287,395**	2,532,807
Exploration and evaluation	8	**565,261**	539,793
Development assets	9	**6,454,562**	6,165,255
Property, plant and equipment		**168,218**	178,930
Total non-current assets		**7,188,041**	6,883,978
Total assets		**10,475,436**	9,416,785
Liabilities			
Trade and other payables	10	**930,506**	779,249
Employee benefits		**118,907**	274,651
Borrowings	11	**512,686**	-
Provisions	12	**850,099**	811,798
Total current liabilities		**2,412,198**	1,865,698
Provisions	12	**3,710,031**	3,542,877
Total non-current liabilities		**3,710,031**	3,542,877
Total liabilities		**6,122,229**	5,408,575
Net assets		**4,353,207**	4,008,210
Equity			
Issued capital	13	**175,688,984**	174,046,036
Reserves		**7,519,537**	7,628,101
Accumulated losses		**(178,855,314)**	(177,665,927)
Total equity		**4,353,207**	4,008,210

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 2018

	Issued Capital	Option Reserve	Loans Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	Attributable to Owners of the Company					
	$	$	$	$	$	$
Note	12					
Balance at 1 July 2017	172,866,479	583,571	-	7,510,193	(173,686,632)	7,273,611
Total Comprehensive (loss)/income for the period						
Loss	-	-	-	-	(3,239,011)	(3,239,011)
Other comprehensive income						
Foreign currency translation differences	-	-	-	(41,528)	-	(41,528)
Total other comprehensive income	-	-	-	(41,528)	-	(41,528)
Total comprehensive (loss)/ income for the period	-	-	-	(41,528)	(3,239,011)	(3,280,539)
Transactions with owners of the Company						
Contributions and distributions						
Shares issued	55,133	-	-	-	-	55,133
Shares issued on exercise of options	43,146	-	-	-	-	43,146
Capital raising costs	(9,992)	-	-	-	-	(9,992)
Transfers on forfeited options	-	(251,682)	-	-	251,682	-
Total transactions with owners of the Company	88,287	(251,682)	-	-	251,682	88,287
Balance at 31 December 2017	172,954,766	331,889	-	7,468,665	(176,673,961)	4,081,359
Balance at 1 July 2018	174,046,036	331,889	-	7,296,212	(177,665,927)	4,008,210
Total Comprehensive (loss)/income for the period						
Loss	-	-	-	-	(1,512,582)	(1,512,582)
Other comprehensive income						
Foreign currency translation differences	-	-	-	98,101	-	98,101
Total other comprehensive income	-	-	-	98,101	-	98,101
Total comprehensive (loss)/ income for the period	-	-	-	98,101	(1,512,582)	(1,414,481)
Transactions with owners of the Company						
Contributions and distributions						
Shares issued	1,316,531	-	-	-	-	1,316,531
Shares issued on exercise of options	395,367	(293,217)	-	-	293,217	395,367
Capital raising costs	(134,034)	27,790	-	-	-	(106,244)
Transfers on forfeited options	-	(29,978)	-	-	29,978	-
Recognition of equity component of loans (Note 11)	-		88,740			88,740
Share-based payment transactions	65,084	-	-	-	-	65,084
Total transactions with owners of the Company	1,642,948	(295,405)	88,740	-	323,195	1,759,478
Balance at 31 December 2018	175,688,984	36,484	88,740	7,394,313	(178,855,314)	4,353,207

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 2018

	31 December 2018 $	31 December 2017 $
Cash flows from operating activities		
Cash receipts from customers	**240,584**	63,746
Payments to suppliers and employees	**(1,272,035)**	(1,490,886)
Cash outflows from operations	**(1,031,451)**	(1,427,140)
Payments for exploration and evaluation expenses	**(244,307)**	(840,208)
Interest received	**1,946**	3,752
Interest paid	**(10,409)**	(18)
Net cash used in operating activities	**(1,284,221)**	(2,263,614)
Cash flows from investing activities		
Proceeds from sale of assets and scrap materials	**25**	-
Net cash provided by investing activities	**25**	-
Cash flows from financing activities		
Proceeds from issue of share capital	**1,316,531**	-
Proceeds from exercise of share options	**395,367**	43,146
Payment for share issue costs	**(106,244)**	(9,992)
Proceeds from borrowings	**645,000**	-
Repayment of borrowings	**(65,000)**	-
Net cash from financing activities	**2,185,654**	33,154
Net increase/(decrease) in cash held	**901,458**	(2,230,460)
Cash and cash equivalents at 1 July	**375,507**	3,215,565
Effect of exchange rate fluctuations	**5,727**	(10,418)
Cash and cash equivalents at 31 December	**1,282,692**	974,687

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

1. REPORTING ENTITY

Oilex Ltd (the Company) is a for-profit entity domiciled in Australia. The condensed consolidated interim financial report of the Group as at and for the half year ended 31 December 2018 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 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 2018 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 2018.

This condensed consolidated interim financial report was authorised for issue by the Board of Directors on 27 February 2019.

(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 $1,512,582, including a $134,359 increase in the doubtful debt provision, and had cash outflows from operating activities of $1,284,221. As at 31 December 2018, the Group's current assets exceeded current liabilities by $875,197 and the Group has cash and cash equivalents of $1,282,692. In January 2019, the Group received $808,977 in equity proceeds.

In July and October 2018, the Group entered into loan agreements with existing investors to secure funding of $580,000. As part of the loan funding, options were issued to the subscribers, which if exercised, the proceeds will be applied to the outstanding loan balance due on 26 July of $330,000 and 10 October of $250,000. As the options are currently in the money the Group has assumed that no cash outflow will be required. In the event that the options are not exercised as anticipated, the Group will seek to renegotiate the payment terms and/or raise additional funding as set out below.

The Group will require additional funds by July 2019 and further funding within the next twelve months in order to meet planned expenditures for its projects and ongoing administrative expenses and to progress the Cambay drilling programme, and for any new business opportunities that the Group may pursue. The Group may also require funds in relation to the matter set out in note 14.

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. In addition, the Group is working towards securing a new joint venture partner for the Cambay Production Sharing Contract (PSC).

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 Group 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

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 2018, other than the following new policies:

(a) Convertible notes

The liability component of convertible notes is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the convertible note as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component of the convertible note is measured at amortised cost using the effective interest method. The equity component a convertible note is not remeasured. Interest related to the financial liability is recognised in profit or loss.

(b) Revenue from contracts with customers

AASB 15 Revenue from Contracts with Customers provides a single, principles based five-step model to be applied to all contracts with customers to determine when to recognise revenue and at what amount. Revenue is recognised when (or as) the Group transfers control of goods to a customer and is recognised either over time or at a point in time (when control is transferred). The application of the following five steps determines the recognition of revenue: identification of the contract, identification of the performance obligations, determination of the contract price, allocation of the contract price and the recognition of revenue as the performance obligation is satisfied. The Group has initially applied AASB 15 from 1 July 2018. The effect of initially applying AASB 15 is not material.

(c) Financial instruments

AASB 9 Financial Instruments includes revised guidance on the classification and measurement requirements of financial liabilities and assets, including a new expected credit loss model for calculating impairment, and general hedge accounting requirements. The Group has initially applied AASB 9 from 1 July 2018. Items classified as loans and receivables are now classified as financial assets at fair value or amortised costs. The adoption of AASB 9 did not have an impact on the Group's financial statement presentation.

(d) New standards not yet effective

AASB 16 Leases provides a new lessee accounting model requiring the recognition of assets and liabilities for all leases with a term greater than twelve months, unless the underlying asset is of low value. It requires the lessee to recognise a right-of-use asset, representing the rights to use the underlying lease asset and a lease liability representing the obligation of lease payments. AASB 16 is effective for annual periods beginning on or after 1 January 2019. The Group has undertaken a review of all its existing leases. The Group has no material long term contracts, other than office premises in Perth and Gandhinagar. The leases in Gandhinagar relate to the joint operations, but with no formal sub lease arrangements in place, the operator is required to recognise the full right of use asset and lease liability. All remaining leases in India are of low value. The impact on the Group's financial assets and financial liabilities of the adoption of AASB 16 is being assessed and is dependent upon the adoption approach and application of transitional provisions, as well as assessing new leases anticipated to be entered into. The impact of the adoption of this standard, will potentially have a material future impact on the Group's balance sheet once the liability for future leases are recognised.

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 2018.

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 2018 annual consolidated financial report.

	India		Australia		JPDA [1]		Indonesia		Corporate [2]		Consolidated	
Six months ended 31 December	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$
Revenue												
External Revenue	**171,567**	60,813	**-**	-	**-**	-	**-**	-	**-**	-	**171,567**	60,813
Reportable segment loss before income tax	**(429,832)**	(1,939,312)	**-**	-	**(26,907)**	(13,743)	**(43,993)**	(38,677)	**(992,672)**	(1,206,110)	**(1,493,402)**	(3,197,842)
Net finance income											**(30,699)**	3,783
Foreign exchange loss											**11,519**	(44,952)
Loss for the period											**(1,512,582)**	(3,239,011)

	India		Australia		JPDA [1]		Indonesia		Corporate [2]		Consolidated	
	31 Dec 2018	30 June 2018	**31 Dec 2018**	30 June 2018	**31 Dec 2018**	30 June 2018	**31 Dec 2018**	30 June 2018	**31 Dec 2018**	30 June 2018	**31 Dec 2018**	30 June 2018
	$	$	**$**	$	**$**	$	**$**	$	**$**	$	**$**	$
Segment assets	**8,895,690**	8,653,049	**7**	7	**125,389**	16,809	**-**	-	**1,454,349**	746,920	**10,475,435**	9,416,785
Segment liabilities	**4,036,221**	3,917,537	**-**	-	**976,213**	815,900	**340,762**	297,022	**769,033**	378,116	**6,122,229**	5,408,575

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 2018 $	31 December 2017 $
(a) Revenue		
Oil sales	**114,221**	-
Gas sales	**57,346**	60,813
	171,567	60,813
(b) Cost of Sales		
Production costs	**(131,324)**	(114,898)
Amortisation of development assets	**(1,532)**	(2,055)
Movement in oil stocks inventory	**(66,795)**	73,193
	(199,651)	(43,760)
(c) Administration Expenses		
Employee benefits expense	**(388,699)**	(486,141)
Redundancy benefits	**(31,928)**	(20,320)
Administration expense	**(514,757)**	(636,119)
	(935,384)	(1,142,580)
(d) Other Expenses		
Depreciation expense	**(16,393)**	(21,553)
Doubtful debts expense	**(134,359)**	(1,580,298)
	(150,752)	(1,601,851)
(e) Foreign Exchange loss - net		
Foreign exchange loss - realised	**107**	(19,921)
Foreign exchange loss - unrealised	**11,412**	(25,031)
	11,519	(44,952)

7. TRADE AND OTHER RECEIVABLES

	31 December 2018 $	Year Ended 30 June 2018 $
Current		
Allocation of receivables		
Joint venture receivables	**435,205**	446,600
Other receivables	**234,741**	292,184
	669,946	738,784
Joint venture receivables		
Joint venture receivables	**6,201,167**	5,835,042
Provision for doubtful debts	**(5,765,962)**	(5,388,442)
	435,205	446,600
Other receivables		
Corporate receivables	**344,002**	401,445
Provision for doubtful debts	**(109,261)**	(109,261)
	234,741	292,184

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 continuing discussions with its joint venture partner Gujarat State Petroleum Corporation, for repayment of disputed and other amounts owing, in the absence of a payment schedule and in line with identified above impairment indicators, the balance of outstanding Cambay, Bhandut and Sabarmati cash calls receivable have been fully provided for in the current period.

The impairment by the Company of the outstanding cash calls, also impacts the recoverability of recharges owing from the joint ventures, and consequently the provision has been increased to cover these receivables.

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

	31 December 2018 $	Year Ended 30 June 2018 $
Movement in the provision for doubtful debts		
Opening balance	**(5,497,703)**	(4,055,327)
Provisions (made)/reversed during the period	**(134,359)**	(1,233,898)
Effect of movements in exchange rates	**(243,161)**	(208,478)
Closing balance	**(5,875,223)**	(5,497,703)
Allocation of provision		
Joint venture receivables	**(5,765,962)**	(5,388,442)
Other receivables	**(109,261)**	(109,261)
	(5,875,223)	(5,497,703)

8. EXPLORATION AND EVALUATION

	31 December 2018 $	Year Ended 30 June 2018 $
Opening balance	**539,793**	518,670
Effect of movements in foreign exchange rates	**25,468**	21,123
Closing balance	**565,261**	539,793

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.

As at 31 December 2018, the balance of exploration and evaluation assets relates to the Cambay Field, for which no impairment has been provided. The Cambay Field has minimal production that is sold to a third party.

Further development of the Cambay field is presently on hold pending the outcomes of efforts to resolve the disputed matters with its joint venture partner Gujarat State Petroleum Corporation, for repayment of disputed and other amounts owing.

9. DEVELOPMENT ASSETS

	31 December 2018 $	Year Ended 30 June 2018 $
Cost		
Opening balance	**16,235,257**	15,631,750
Effect of movements in foreign exchange rates	**727,641**	603,507
Closing balance	**16,962,898**	16,235,257
Amortisation and Impairment Losses		
Opening balance	**10,070,002**	9,704,462
Amortisation charge for the period	**1,531**	3,263
Effect of movements in foreign exchange rates	**436,803**	362,277
Closing balance	**10,508,336**	10,070,002
Carrying Amounts		
Opening balance	**6,165,255**	5,927,288
Closing balance	**6,454,562**	6,165,255

Cambay Field Development Assets

There was no impairment of the Cambay Field development assets during the period (June 2018: Nil)

Development assets are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of impairment. Indicators of impairment can 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.

No indicators of impairment were identified as at 31 December 2018 based on a review of key assumptions.

10. TRADE AND OTHER PAYABLES

	31 December 2018 $	Year Ended 30 June 2018 $
Trade creditors	**402,896**	297,640
Accruals	**527,610**	481,609
	930,506	779,249

The Company's assessment of the recoverability of outstanding cash call amounts owing from its joint venture partner GSPC has resulted in an additional 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 by the joint venture partner. As a result, the Group has accrued $57,159 as at 31 December 2018 (June 2018: $107,267, December 2017: $53,679) to cover Cambay, Bhandut and Sabarmati Joint Venture third party liabilities.

11. BORROWINGS

	31 December 2018 $	Year Ended 30 June 2018 $
Unsecured loans	**512,686**	-

Terms and repayment schedule

The terms and conditions of outstanding loans are as follows:

				31 December 2018 $		30 June 2018 $	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	Face value	Carrying amount
Unsecured loans – from shareholders and financiers	AUD	5.0%	2019	**580,000**	**512,686**	-	-

Options have been issued to the lenders in connection to the above loans, as follows:

a) 8,333,333 share options @ $0.0036 exercisable on or before the applicable loan maturity date of 26 July 2019;

b) 83,333,333 share options @ $0.0036 exercisable on or before the applicable loan maturity date of 27 July 2019; and

c) 60,664,887 share options @ $0.004121 exercisable on or before the applicable loan maturity date of 1 October 2019.

If exercised, the proceeds will be applied to the outstanding loan balance due on 26 July of $330,000 and 10 October of $250,000. In determining the fair value of the liability component of these borrowing arrangements, it has been estimated that the effective interest rate of similar borrowings without a share option component is 18%. The fair value of the share options equity component of these borrowing arrangements has been recognised in the Loan Options Reserve as the loan has been treated as a convertible note.

12. PROVISIONS

	31 December 2018 $	Year Ended 30 June 2018 $
Site restoration, well abandonment and other provisions		
Opening balance	**4,354,675**	4,184,269
Effect of movements in foreign exchange rates	**205,456**	170,406
Closing balance	**4,560,131**	4,354,675
Current - Restoration and Termination	**850,099**	811,798
Non-current - Restoration	**3,710,032**	3,542,877
	4,560,131	4,354,675

13. ISSUED CAPITAL

	31 December 2018 Number of Shares	31 December 2018 $ Issued Capital	30 June 2018 Number of Shares	30 June 2018 $ Issued Capital
Shares				
On issue 1 July - fully paid	**2,001,968,379**	**174,046,036**	1,684,302,899	172,866,479
Issue of share capital				
Shares issued for cash (1) (6)	**333,793,303**	**1,316,531**	282,894,737	1,100,000
Shares issued for non-cash (2) (4)	**16,035,318**	**65,084**	23,048,521	90,211
Exercise of unlisted options (3) (5)	**100,190,999**	**395,367**	11,722,222	43,146
Capital raising costs	**-**	**(134,034)**		(53,800)
On issue at the end of the period - fully paid	**2,451,987,999**		2,001,968,379	
Issued Capital as at the end of the period		**175,688,984**		174,046,036

1) Pursuant to a debt and equity capital raise announcement on 11 September 2018 and 17 September 2018, relating to the placement of 278,237,748 new ordinary shares at an issue price of £0.0019 (A$0.0034):
- 157,894,737 shares were issued on 17 September 2018
- 91,222,452 shares were issued on 26 September 2018; and
- 29,120,559 shares were issued on 14 December 2018.

2) On 26 September 2018:
- the Company issued 317,029 and 10,526,315 shares as consideration for consulting services at an issue price of $A0.004 and £0.0019 (A$0.0034) respectively; and
- the Company issued 3,467,070 shares in lieu of non-executive director income at an issue price of $0.004.

3) On 16 November 2018, the Company issued 90,190,999 shares upon the exercise of the following unlisted options:
- 64,944,444 options @ £0.00225 per share (expiry 22 May 2020);
- 9,473,684 options @ £0.0019 per share (expiry 17 September 2021); and
- 15,772,871 options @ A$0.004121 per share (expiry 1 October 2019).

4) On 29 November 2018, the Company issued 1,724,904 shares on lieu of non-executive director income at an issue price of $0.008.

5) On 5 December 2018, the Company issued 10,0000 shares upon the exercise of 10,000,000 options @ £0.00225 per share (expiry 22 May 2020).

6) Pursuant to an equity raise announcement on 18 December 2018, relating to the placement of 180,555,555 new ordinary shares at an issue price of £0.0036 (A$0.006314), the Company issued 166,666,667 ordinary shares on 21 December 2018. Cash settlement proceeds for 111,111,111 shares amounting to $721,823 (£400,000) were outstanding at 31 December 2018; and have consequently not been recognised as issued capital at reporting date.

Subsequent Events

Share issue proceeds of $721,823 (£400,000) relating to the issue of 111,111,111 shares were received in early January 2019.

Pursuant to the equity raise announcement on 18 December 2018, relating to the placement of 180,555,555 new ordinary shares at an issue price of £0.0036 (A$0.006314), the Company issued the residual balance of 13,888,889 ordinary shares on 18 January 2019 raising $87,694.

14. PROVISIONS AND CONTINGENT LIABILITIES

Guarantees

Oilex Ltd has issued guarantees in relation to the lease of the current corporate office in West Perth, as well as corporate credit cards. The bank guarantee amounts to $149,004.

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 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 recorded a provision of US$600,000 (refer note 12) in the prior financial year, being the Group's share of a possible settlement of the JPDA matter. The provision and or settlement is subject to variation dependent upon ongoing negotiations with the ANPM.

On 17 October 2018, the Company received formal notice from the ANPM, the body responsible for managing and regulating petroleum and mining activities in the Timor-Leste area, advising that it has commenced arbitration through the International Chamber of Commerce in Singapore. As at the date of this report, the panel of arbitrators has been appointed with the proposed timetable for the arbitration proceedings to be confirmed.

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%

* The Company understands that the parent company Videocon Industries is subject to corporate insolvency proceedings and continues to trade under the supervision of an insolvency professional. The Joint Venture has requested but is yet t receive formal documentation and or clarification as to the position of Videocon JPDA 06-103 Limited.

Videocon has not paid cash calls of USD$0.191m. GSPC has not paid cash calls of USD$0.191m. The Joint Venture is currently taking advice in its rights to require that GSPC and Videocon to meet their obligations.

15. 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 2018.

During the reporting period shareholders at the AGM held on 29 November 2018 approved the issue of remuneration shares in lieu of cash payments of Directors fees for the period 1 November 2018 to 31 October 2019. These shares are to be issued on a quarterly basis in respect of the Directors fees payable for the preceding quarter.

16. 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.

17. 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 2018 $	Year Ended 30 June 2017 $
Within one year	-	-
One year or later and no later than five years	-	-
	-	-

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

Subsequent to 30 June 2018, the Company withdrew its applications in relation to the Canning Basin Exploration Permit Applications.

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 2018 (30 June 2018: Nil).

18. SUBSEQUENT EVENTS

Share issue proceeds of $721,283 (£400,000) relating to the issue of 111,111,111 shares were received in early January 2019.

Pursuant to the equity raise announcement on 18 December 2018, relating to the placement of 180,555,555 new ordinary shares at an issue price of £0.0036 (A$0.006314), the Company issued the residual balance of 13,888,889 ordinary shares on 18 January 2019 raising $87,694.

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.

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

1. the condensed consolidated financial statements and notes set out on pages 6 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 2018 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 Paul Hayward	Mr Jonathan Salomon
Non-Executive Director	Managing Director

West Perth
Western Australia
27 February 2019

Independent Auditor's Review Report

To the shareholders of Oilex Ltd

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying consolidated ***Interim Financial Report*** of Oilex Ltd.

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:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2018 and of 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*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2018
- 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 18 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Oilex Ltd (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 2(b), "Going Concern Basis" in the Interim Financial Report. The conditions disclosed in Note 2(b), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

Responsibilities 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*
- 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 2018 and its performance for the interim period 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 Period 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.

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

KPMG

KPMG

Derek Meates
Partner
Perth
27 February 2019