OILEX LTD

ANNUAL REPORT 2019

www.oilex.com.au

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CHAIRMAN'S REVIEW

Dear Shareholder,

The 2018 financial year was a year of both challenges and delivery. The 2019 financial year has been similarly challenging. There are two words that best summarize this past financial year – resolve and resolution. For the better part of the financial year the Company has been locked in an effort to manage the continuing failure of our joint venture partner - Gujarat State Petroleum Corporation Limited (GSPC) – to meet its obligations under the Cambay Production Sharing Contract (Cambay PSC) in Gujarat State in India. This ongoing failure ultimately led the Company to declare GSPC to be in default under the Cambay Joint Operating Agreement (JOA) in May 2018.

The Company's resolve reflects the significant undeveloped multi TCF gas resource within the Cambay PSC - the Cambay Tight Gas Project - that requires further investment and appraisal work to ultimately demonstrate the project's commerciality. In terms of delivery, although the Ministry of Petroleum and Natural Gas (MoPNG) approved a ten-year extension of the Cambay PSC in April 2018, during the past financial year, the Company has been firmly of the position that until such time as the disputes under the Cambay PSC with GSPC were resolved and the events of default were remedied in some form or fashion that no additional investment or any appraisal work could be undertaken. This continuing circumstance has been the ultimate test of the Company's conviction in the commercial potential of the Cambay Tight Gas Project and a test of the Company's resolve to (1) firstly, deliver a positive outcome for shareholders and (2) secondly, secure additional projects that the Company could build its future around based on its depth of technical and commercial experience built to deliver the Cambay Tight Gas Project. I can report that the resolve to deliver these outcomes for shareholders has delivered resolution on both fronts.

In the first instance, the Company believes it has now secured a pathway to the ultimate resolution of the long-running dispute with GSPC in the Cambay PSC which will allow the appraisal of the Cambay Tight Gas Project to progress. On 9 September 2019, the Company announced that it had entered into an agreement with GSPC and the Director General of Hydrocarbons (DGH) pursuant to which GSPC would conduct a formal sale process to sell their interest in the Cambay PSC and thereby exit the joint venture allowing a new committed partner, once identified, to enter the project and for the project to thus proceed. Under this agreement, GSPC is committed to complete this sale process within 90-days of the agreement therefore allowing the Company to begin planning to commence work on the project in the coming calendar year.

Delivering this resolution enables the Company to get back to the tools and start not only the planning but the actual appraisal drilling, completion and stimulation program that the technical studies undertaken with Schlumberger, Baker Hughes GE and Oilfield Data Services Inc. outlined as the next stage of work programs to prove the commerciality of the Cambay Tight Gas Project.

With respect to securing additional growth projects that deliver value for shareholders, the Company has also delivered. After exhaustive consideration of many alternatives, the Company selected two very specific areas to focus on based on the Company's technical and commercial knowledge, expertise and experience that could deliver significant value recognition from the Company's existing shareholder-base and attract significant interest from existing and prospective new shareholders. These two focus areas are two recognized 'Super Basins' that are very much open for business to junior oil and gas companies with highly supportive regulators, have a wealth of existing, high quality open file data and present multiple low cost entry opportunities in terms of production, development and exploration positions - the Australian Cooper Basin and the UK Offshore Continental Shelf. The Company has delivered in both focus areas.

In the Cooper Basin, the Company has secured 100% working interest and operatorship of prime acreage positions in the proven Western Flank Oil Fairway and the Northern Oil and Wet Gas Fairway covering approximately 4,700 km^2 (1.1 million acres) with significant existing 3D seismic coverage, a significant undeveloped tight discovery with 3C contingent resources of over 1 TCF and deep portfolio of appraisal and exploration leads and prospects. Similarly, in the UK Offshore, the Company has secured in the prolific East Irish Sea the exclusive rights to acquire participation of up to 50% participating interest in three undeveloped gas discoveries immediately adjacent to the North Morecombe Gas Production Platform and Gas Terminal and subsea gathering pipeline – two of which have been drill stem tested and flowed at 12.3 and 22 MMSCFD of low CO^2 raw gas. Both the positions in the Cooper Basin and the UK offshore Continental Shelf-East Irish Sea are important new platforms for the Company to deliver growth and value for shareholders that are both real and tangible.

Coming from the Company's resolve, there has been delivery of the expected resolution of the issues that have prevented the appraisal and with success the development of the Cambay Tight Gas Project and delivery of two new platforms for growth and delivery of value for shareholders. We expect that the coming year will see delivery of much activity in each of these areas that will yield significant results. It is our objective to align these three platforms for growth in such a way as the maximize their ability to deliver value across the Company's diverse shareholder base that will maximize the value recognized by shareholders.

Finally, on behalf of the Board, I wish to thank our staff, contractors, local communities, shareholders and stakeholders for their ongoing support.

Mr B Lingo
Chairman

30 September 2019

Cambay Production Facility

BUSINESS REVIEW

EXTERNAL IMPACT ON THE PETROLEUM INDUSTRY

This last year has seen both oil and regional gas prices holding relatively firm globally, providing some buoyancy to the oil and gas sector. In particular strong interest in the sector has is evident from the UK investment community.

The Indian economy remains strong with the Modi government returned to office in a general national election. The Prime Minister India has led an initiative to reduce its dependence on petroleum imports as energy security remains a major concern. The country continues to experience strong positive economic growth.

Figure 1:
Bhandut Production Facility

BUSINESS REVIEW

OILEX STRATEGY

During 2018-2019, Oilex continued to focus on its core project, Cambay, in India while also evaluating potentially value accretive new business opportunities elsewhere, ranging from discovered undeveloped resources with exploration upside to existing discoveries and production. Post-the reporting period the Company announced entries to both the Cooper-Eromanga Basins in Australia and the East Irish Sea in the UK. Both these entries follow a well-defined strategy focusing on proven super-basins with world class source rocks, well defined fairways, undeveloped discoveries, progressive regulators, open access to data, existing infrastructure and demonstrable upside potential for junior companies.

INTRODUCTION

Oilex's Cambay Project is located onshore in the state of Gujarat in the heart of one of India's most prolific hydrocarbon and leading industrialised provinces. The project is ideally located near a major industrial corridor and approximately 20 km from the existing national gas pipeline grid. It is well-positioned to commercialise production in the fast-growing, demand-driven domestic energy market.

The area has a long history of hydrocarbon production from a number of vertically stacked reservoir sections. Oilex continues to focus on a tight siltstone Eocene aged reservoir which has potential for Multi-TCF gas resources within the license area of the Cambay Production Sharing Contract (PSC). A secondary conventional reservoir is present in the Oligocene section.

Development of the potential gas resources in the Cambay PSC has been held up during the year because of a dispute with the second partner in the project, Gujarat State Petroleum Corporation (GSPC). In May of 2018, Oilex announced that it had issued an Event of Default Notice (EOD) to GSPC for failure to pay US$3,054,832 of its participating interest share of expenses. In July 2018, the Company announced that it had issued a notice to require GSPC to withdraw (EoW) from the PSC and to transfer its participating interest to Oilex following the procedures defined by the Joint Operating Agreement (JOA) as GSPC had not remedied the EoD within the prescribed allowed time. Oilex's action were driven by its desire to return to a drilling programme in the PSC with a pilot test to drill and flow test the identified gas resource.

In August 2018, in response to the EoD and EoW, GSPC served notice of an exparte Order from the High Court of Gujarat directing Oilex not to take any coercive steps against GSPC to transfer its participating interest. A number of hearings in the High Court took place until 5 November when Oilex announced the final decision of the court which further delayed the implementation of the EoD and EoW under the conditions that GSPC deposited a sum of approximately US$1.1 million, a bank guarantee for approximately US$3 million with the court, and commenced arbitration proceedings. On the 19 November, Oilex announced that GSPC had complied with the above requirements.

In the period from December of 2018 and through the first half of 2019, Oilex met with GSPC on many occasions seeking a commercial settlement to forestall arbitration proceedings and as a pre-cursor to restarting activities in the field. However, despite Oilex submitting a number of proposals, no agreement could be reached. On 9 September 2019, Oilex announced that an agreement with GSPC had been reached noting that the Indian government regulator DGH was also a signatory to the agreement. Under this agreement, GSPC must use its best endeavours to complete a sale of its 55% interest in the Cambay PSC within 90 days, Oilex to lift the EoD and EoW, GSPC is to discharge the SIAC arbitration proceedings, lift the stay order and recover its funds lodged with the High Court. Both parties are required to support the necessary actions to achieve these outcomes.

Oilex has been in discussion with a number of Indian based companies who have expressed interest in the Cambay PSC and its potential.

BUSINESS REVIEW

CAMBAY FIELD
Onshore Gujarat, India

OILEX INTEREST 45%
OPERATOR

Oilex is the Operator of the Cambay Field and holds a 45% participating interest. The remaining 55% interest is held by Joint Venture partner, GSPC.

Exploration and production in the region started in the late 1950s and early 1960s. Oilex's focus on the tight Eocene siltstone reservoir is a step away from the conventional exploration and production that has dominated the past history of activity in the basin. This requires application of specific drilling and stimulation technologies to test whether the reservoir will produce at commercial rates.

Oilex has developed a work plan to drill 2 vertical wells to test the EP-IV tight gas accumulation in a pilot programme involving stimulation of the reservoir to determine flow rate potential. A Field Development Plan (FDP) has been approved by the government regulator. This was additionally submitted to the Government as a requirement for the application to secure a 10 year extension to the PSC beyond 2019.

The FDP encompasses a staged approach, initially focussing on drilling of a small number of new wells to gather key information on reservoir performance. It follows an in-depth review by Baker Hughes GE aimed specifically to identify reasons for the limited success of past drilling and stimulation, and to outline optimal drilling and stimulation methodologies for future work programmes to establish commercial gas production.

The evaluation provides a technical recommendation of the optimal well and stimulation design required to achieve commercial flow rates in the EP-IV reservoir. The results of the evaluation confirm the potential for substantially increased flow rates with the application of the appropriate stimulation technology suite.

The Government of India was very prompt in providing approval to both the FDP and the PSC extension application. The amended Cambay contract, reflecting the new expiry date of September 2029, is now pending finalisation by the Directorate General of Hydrocarbons.

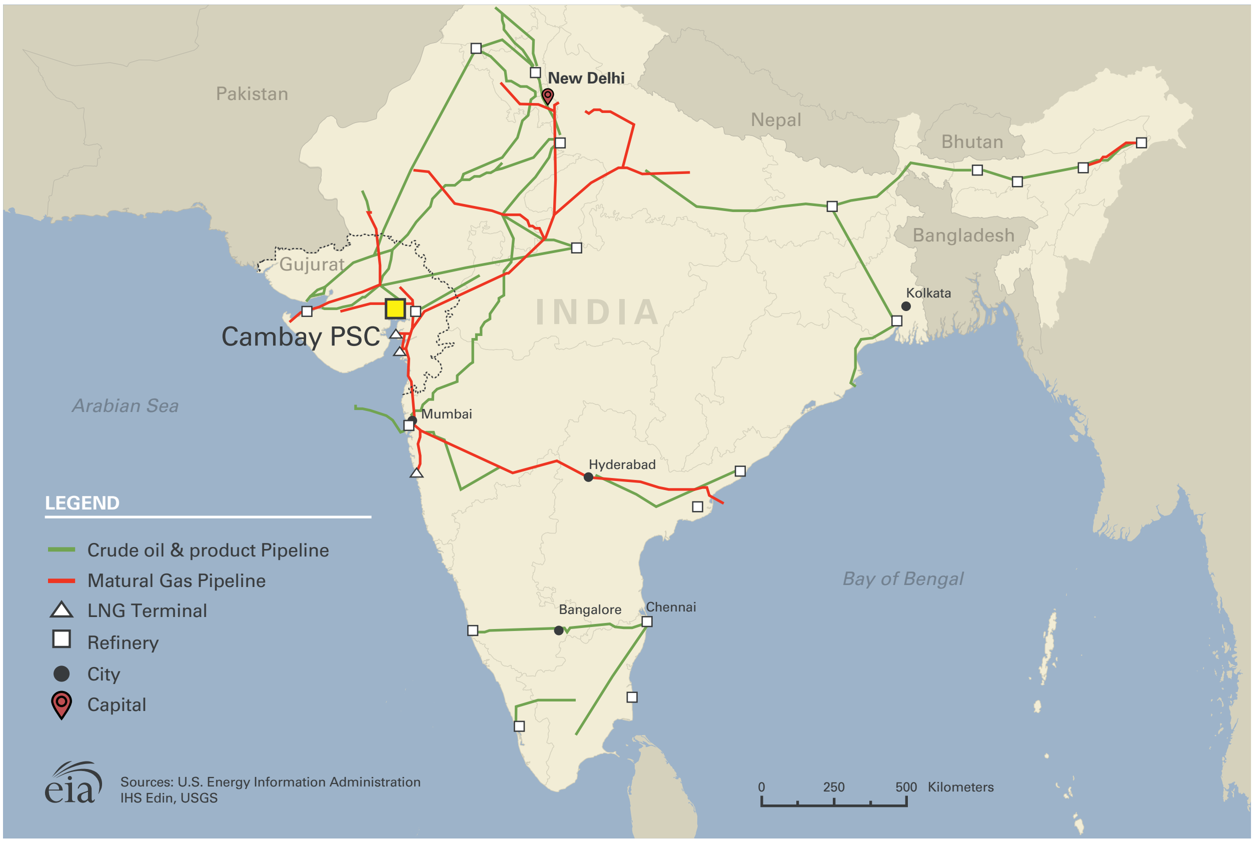

Figure 2: Gas Pipeline Network to the Nation

BUSINESS
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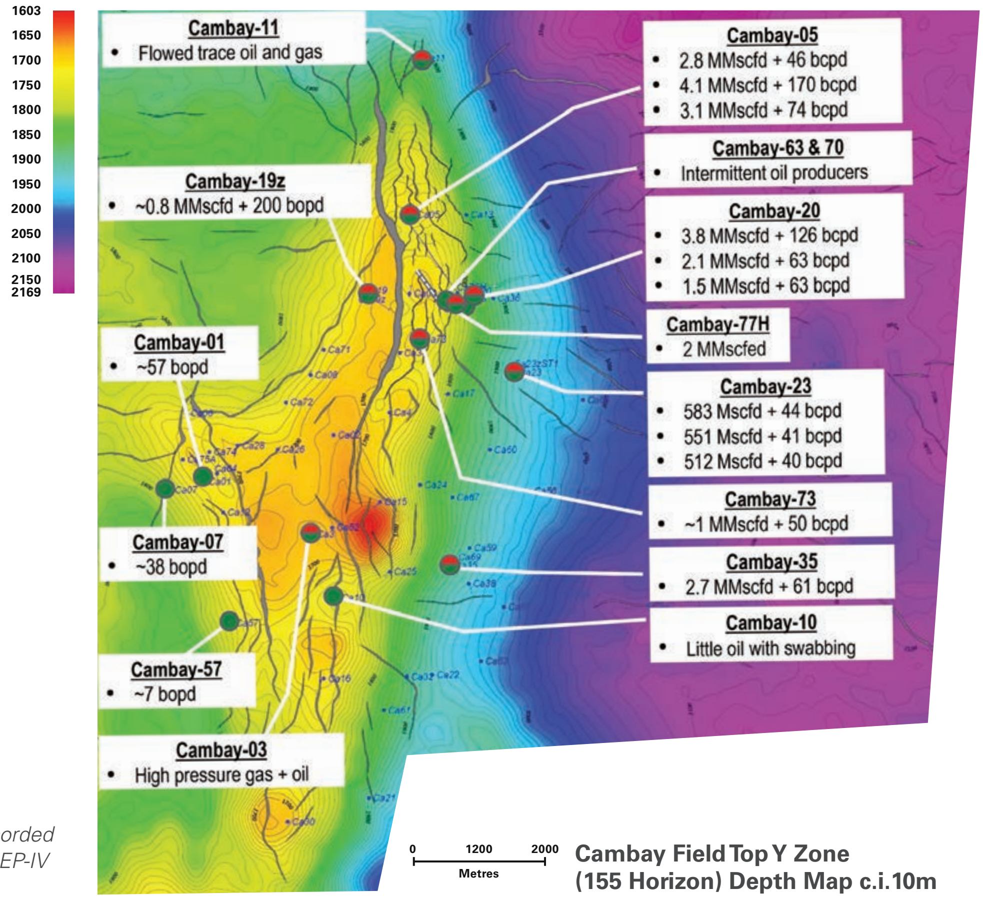

Figure 3: Cambay Field – recorded hydrocarbon flowrates from EP-IV (Y Zone) reservoir

This initial pilot programme is, subject to securing the necessary funding, and the intention is for a larger drilling programme to 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.

Any early production will utilise existing processing and storage facilities upgraded as required to provide a low-cost path to commercialisation. Further work on this work programme will restart once the GPSC sales process is complete.

During the year, a small volume of gas was produced into the local low pressure pipeline from the Eocene reservoir. During this financial year, the C-77H well produced 25.22 mmscf and C-73 produced nil mmscf with total production from the block of 5,730 boe.

CAMBAY CONTINGENT RESOURCES

Resource volumes for the Eocene are unchanged since June 2016 and are summarised in the following table which shows Oilex net working interest. The development plan submitted as part of the application for extension of the PSC term addresses a sub-set of these resources in a staged approach.

UNRISKED CAMBAY FIELD CONTINGENT RESOURCE ESTIMATES AT JUNE 2019

	Net Gas Volume Bcf			Net Condensate Volume million bbl		
	1C	2C	3C	1C	2C	3C
X & Y Zones	215	417	728	12	27.4	54.6

During the financial year, the Joint venture received US$560,438 gross from GSPC against outstanding cash calls for Cambay.

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BHANDUT FIELD
Onshore Gujarat, India

OILEX INTEREST 40%
OPERATOR

Oilex N.L. Holdings (India) Limited is the Operator of the Bhandut Field Production Sharing Contract (PSC) in the Cambay Basin onshore Gujarat, India and holds a 40% participating interest. The remaining 60% interest is held by Joint Venture partner, GSPC.

The Bhandut Field was initially discovered and developed by ONGC in 1976. The field is currently on care and maintenance, however, with ongoing production and exploration potential, coupled with existing production facilities.

In parallel with the Cambay PSC, a Field Development Plan in support of the application for an extension of the PSC was submitted in September 2017 and approved by the Government of India in April 2018.

During 2019, GSPC ran a sales process for a number of its projects in the Cambay Basin. This sales process included the Bhandut PSC. The bid closing date was August 31 2019. Oilex is in discussion with potential bidders and is planning to include its participating interest and operatorship in the sale.

During the financial year, the Joint Venture received US$97,924 gross from GSPC against outstanding cash calls for Bhandut. At 30 June 2019, gross unpaid cash calls issued to GSPC totalled US$79,980.

Figure 4:
Bhandut Production Facility

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JPDA 06-103

Timor Sea

OILEX INTEREST 10%

OPERATOR

On 22 October 2018, the Autoridade Nacional de Petoleo e Minerais (ANPM) issued arbitration proceedings against the Joint Venture to recover the claim it imposed upon the Joint Venture following the ANPM's termination of the PSC. Oilex has a 10% participating interest and is acting as the Operator of the Joint Venture in the arbitration proceedings. In August 2019, the Company announced that it had submitted the Respondent's First Memorial to the International Chamber of Commerce in Singapore. Furthermore, following a substantive legal and independent expert review, the joint venture has also lodged a US$23.3 million counterclaim against the ANPM as damages from the wrongful termination. The arbitration hearing is scheduled to commence in February 2020. Each Joint Venture party remains jointly and severally liable and has provided parent company guarantees. A notice of default has been issued against both Videocon JPDA 06-103 Limited and GSPC (JPDA) Limited for their failure to pay the joint venture cash calls.

WEST KAMPAR PSC

Central Sumatra, Indonesia

The Company was advised by the Indonesian Government regulator, SKK Migas,that the West Kampar PSC had been terminated following SPE's failure to meet its obligations under the PSC. The Company continues to engage with the regulator with a view to returning its interest in West Kampar.

BUSINESS REVIEW

FINANCIAL

Treasury Policy

The funding requirements of the Group are reviewed on a regular basis by the Group's Chief Financial Officer and reported to the Board to ensure the Group is able to meet its financial obligations as and when they fall due. Internal cash flow models are used to review and to test investment decisions. Until sufficient operating cash flows are generated from its operations, the Group remains reliant on equity or debt funding, as well as assets divestiture or farmouts to fund its expenditure commitments.

Formal control over the Group's activities is maintained through a budget and cash flow monitoring process with annual budgets considered in detail and monitored monthly by the Board and forming the basis of the Company's financial management strategy.

Cash flows are tested under various scenarios to ensure that expenditure commitments are able to be met under all reasonably likely scenarios. Expenditures are also carefully monitored against budget. The Company continues to actively develop funding options in order that it can meet its expenditure commitments and its' planned future discretionary expenditure. During the year several capital raisings were completed to provide for working capital for the company.

A number of debt and equity capital raisings were undertaken during the year to provide working capital for the Company's activities:

» In the September 2018 quarter, the Company arranged an equity capital raise resulting in the placement of 278,237,748 new ordinary shares at an issue price of £0.0019 (A$0.0034) for gross proceeds of £0.53m (A$0.96m);

» In the December 2018 quarter, the Company arranged an equity capital raise resulting in the placement of 180,555,555 new ordinary shares at an issue price of £0.0036 (A$0.0063) for gross proceeds of £0.65 m (A$1.2m)

» In July 2018, the Company entered into loan agreements with existing investors raising $330,000 before costs with a one-year term, 5% interest rate and 91,666,666 attached unlisted options with an exercise price of $0.0036 and an expiry date of 26 July 2019. In July 2019, the Group entered into an amendment agreement to vary the terms of its loan funding facility of $330,000 entered into on 26 July 2018. Pursuant to the amendment, the loan repayment date has been extended from 26 July 2019 to 1 October 2019.

» In September 2018, the Company entered into another binding loan agreement with existing investors to secure funding of $315,000 at 5% interest rate with a term to 31 October 2019 plus 76,417,758 options over ordinary shares exercisable at $0.004121. In November 2018, 15,772,871 options were exercised by the investor with the proceeds of the related equity issue being used to repay the related loans balance of $65,000.

CORPORATE

The Company has dual listing on the Australian Stock Exchange (ASX) and on the Alternative Investment Market (AIM) of the London Stock Exchange with approximately 80% of the Company's shares held on the Company's UK register.

During the year 100,190,999 broker options were exercised at WAEP £0.004.

As at 30 June 2019 the Company had:

» Available cash resources of $357,970;

» Borrowings at a carrying amount of $563,955 (face value: $580,000). (Reference should also be made to Note 27 – Subsequent Events for further information); and

» Issued capital of 2,587,318,001 fully paid ordinary shares and unlisted options of 161,220,442.

BUSINESS
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EXECUTIVE AND BOARD CHANGES

In September 2019, after year end the Board was very pleased to announce the appointment of Mr Peter Schwarz as an Independent Non-Executive Director.

A former director of BG Exploration and Production Limited and CEO of independent exploration company Virgo Energy Ltd, Mr Schwarz is a certified petroleum geologist and business development professional with over 35 years' experience in the oil and gas industry. Mr Schwarz has previously held various senior management roles with Amerada Hess, BG, and Marubeni and is currently a director of Finite Energy Limited, an oil and gas consultancy business he founded over 10 years ago, specializing in strategy and business development advice in the UK and Europe. Mr Schwarz holds a B.Sc. in Geology and a M.Sc. in Petroleum Geology from the University of London.

RISK MANAGEMENT

The full Board undertakes the function of the Audit and Risk Committee and is responsible for the Group's internal financial control system and the Company's risk management framework. Management of business risk, particularly exploration, development and operational risk is essential for success in the oil and gas business. The Group manages risk through a formal risk identification and risk management system.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

Policy

Oilex is committed to protecting the health and safety of everybody who plays a part in our operations or lives in the communities where we operate. Wherever we operate, we will conduct our business with respect and care for both the local and global, natural and social environment and systematically manage risks to drive sustainable business growth. We will strive to eliminate all injuries, occupational illness, unsafe practises and incidents of environmental harm from our activities. The safety and health of our workforce and our environment stewardship are just as important to our success as operational and financial performance and the reputation of the Company.

Oilex respects the diversity of cultures and customs that it encounters and endeavours to incorporate business practices that accommodate such diversity and that have a beneficial impact through our working involvement with local communities. We strive to make our facilities safer and better places in which to work and our attention to detail and focus on safety, environmental, health and security issues will help to ensure high standards of performance. We are committed to a process of continuous improvement in all we do and to the adoption of international industry standards and codes wherever practicable. Through implementation of these principles, Oilex seeks to earn the public's trust and to be recognised as a responsible corporate citizen.

Qualified Petroleum Reserves and Resources Evaluator Statement

Pursuant to the requirements of Chapter 5 of the ASX Listing Rules, the information in this report relating to petroleum reserves and resources is based on and fairly represents information and supporting documentation prepared by or under the supervision of Mr Jonathan Salomon, Managing Director employed by Oilex Ltd. Mr Salomon has over 33 years' experience in petroleum geology and is a member of the American Association of Petroleum Geologists, and the Society of Petroleum Engineers. Mr Salomon meets the requirements of a qualified petroleum reserve and resource evaluator under Chapter 5 of the ASX Listing Rules and consents to the inclusion of this information in this report in the form and context in which it appears. Mr Salomon also meets the requirements of a qualified person under the AIM Note for Mining, Oil and Gas Companies and consents to the inclusion of this information in this report in the form and context in which it appears.

PERMIT SCHEDULE

AS AT 30 JUNE 2019

ASSET	LOCATION	ENTITY	EQUITY %	OPERATOR
Cambay Field PSC [1]	Gujarat, India	Oilex Ltd Oilex N.L. Holdings (India) Limited	30.0 15.0	Oilex Ltd
Bhandut Field PSC	Gujarat, India	Oilex N.L. Holdings (India) Limited	40.0	Oilex N.L. Holdings (India) Limited
JPDA 06-103 PSC [2]	Joint Petroleum Development Area Timor Leste and Australia	Oilex (JPDA 06-103) Ltd	10.0	Oilex (JPDA 06-103) Ltd

(1) On 29 July 2018, the Company issued a notice to exercise its option to require GSPC to completely withdraw its 55% Participating Interest in the Cambay PSC following GSPC's failure to completely remedy the Event of Default issued on 29 May 2019. On 5 November 2018 the High Court of Gujarat issued a judgement to further delay the implementation of the EOD subject to certain conditions being fulfilled by GSPC. GSPC subsequently met the conditions and invoked the JOA dispute resolutions in the Singapore International Arbitration Centre. Discussions between the parties have resulted in a settlement agreement co-signed by the Directorate General of Hydrocarbons. The EoD has now been lifted and GSPC is commencing a sale process to dispose of its 55% interest in the Cambay PSC.

(2) PSC terminated 15 July 2015.

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DIRECTORS' REPORT

For the year ended 30 June 2019

The directors of Oilex Ltd present their report (including the Remuneration Report) together with the consolidated financial statements of the Group comprising of Oilex Ltd (the Company) and its subsidiaries for the financial year ended 30 June 2019 and the auditors' report thereon.

DIRECTORS

The directors of Oilex Ltd in office at any time during or since the end of the financial year are:

Mr Bradley Lingo

(Non-Executive Chairman)

Bachelor of Arts with Honours, Juris Doctorate, MAICD

Mr Lingo was appointed as a Non-Executive Director in February 2016 and Non-Executive Chairman in February 2017. Mr Lingo has more than 33 years of experience in a diverse range of oil and gas leadership roles, including business development, new ventures, mergers and acquisitions and corporate finance. Mr Lingo has worked with Tenneco Energy and El Paso Corporation in the US and Australia, Sunshine Gas Limited, AGL Energy, Roc Oil Limited, the Commonwealth Bank of Australia, Drillsearch Energy Limited and Elk Petroleum Limited.

During the last three years Mr Lingo has been a director of the following ASX listed companies:

» Elk Petroleum Limited (from August 2015 to March 2019)

Mr Paul Haywood

(Non-Executive Director)

Mr Haywood was appointed as a Non-Executive Director in May 2017. Mr Haywood has over 16 years of international experience in delivering value for his investment network through a blended skill set of corporate and operational experience, including more than six years in the Middle East, building early stage and growth projects. More recently, Mr Haywood has held senior management positions with UK and Australian public companies in the natural resource and energy sectors including O&G exploration and development in UK, EU and Central Asia. Mr Haywood's expertise stretches across a broad UK and Australian public market, with a cross-functional skill set with diverse experience and capability encompassing research, strategy, implementation, capital and transactional management. Mr Haywood is currently Executive Director of Block Energy Plc.

During the last three years Mr Haywood has not been a director of any other ASX listed companies.

Mr Jonathan Salomon

(Managing Director)

B App Sc (Geology), GAICD

Mr Salomon was appointed as a Non-Executive Director in November 2015 and Managing Director on 18 March 2016. Mr Salomon has over 33 years of experience working for upstream energy companies. Further details of Mr Salomon's qualifications and experience can be found in the Executive Management section of the Directors' Report.

During the last three years Mr Salomon has not been a director of any other ASX listed companies.

Mr Peter Schwarz (appointed 4 September 2019)

(Non-Executive Director)

B Sc (Geology), M Sc (Petroleum Geology)

Mr Schwarz was appointed as a Non-Executive Director in September 2019. A former director of BG Exploration and Production Limited and CEO of independent exploration company Virgo Energy Ltd, Peter is a certified petroleum geologist and business development professional with over 35 years' experience in the oil and gas industry. Peter has previously held various senior management roles with Amerada Hess, BG, and Marubeni and is currently a director of Finite Energy Limited, an oil and gas consultancy business he founded over 10 years ago, specialising in strategy and business development advice in the UK and Europe.

During the last 3 years Mr Schwarz has not been a director of any other ASX listed companies.

COMPANY SECRETARY

The Chief Financial Officer, Mr Mark Bolton (B Bus) was appointed Company Secretary in June 2016.

DIRECTORS' REPORT

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement, which reports on Oilex's key governance principles and practices is available on the Oilex website.

In establishing its corporate governance framework, the Company has referred to the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd edition. The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The Corporate Governance Statement provides detailed information on the Board and committee structure, diversity and risk management.

DIRECTORS' MEETINGS

Directors in office and directors' attendance at meetings during the 2018/19 financial year are as follows:

	Board Meetings [1]	
	Held [2]	Attended
Non-Executive Directors [4]		
B Lingo [3]	13	13
P Haywood	13	13
Executive Director		
J Salomon	13	13

(1) Following the changes to the Board at the Annual General Meeting on 25 November 2015, the Board resolved that the full Board would perform the role of the Audit and Risk Committee and the Remuneration and Nomination Committee. The Company is considering the appointment of additional independent non-executive directors in order to achieve best practice corporate governance and may reconstitute the Committees at that time.

(2) Held indicates the number of meetings available for attendance by the director during the tenure of each director.

(3) Current Chairman.

(4) Mr Schwarz was appointed to the board subsequent to 30 June 2019.

DIRECTORS' REPORT

EXECUTIVE MANAGEMENT

Mr Jonathan Salomon

(Managing Director)

B App Sc (Geology), GAICD

Mr Salomon was appointed as a Non-Executive Director in November 2015 and Managing Director on 18 March 2016. Mr Salomon has a Bachelor Degree in Applied Science and is a member of the American Association of Petroleum Geologists and the Society of Petroleum Engineers, and has over 33 years of experience working for upstream energy companies. Mr Salomon has worked for a number of oil and gas companies in various senior positions including General Manager Exploration and New Ventures at Murphy Oil Corporation and Global Head of Geoscience at RISC PL, in addition to a number of executive director roles including Strategic Energy Resources, Norwest Energy and Nido Petroleum. At several times in his career, Mr Salomon has acted as an independent consultant for various oil and gas companies, including New Standard Energy and Pacrim Energy. Mr Salomon first worked on Indian projects in 1994 while at Ampolex and since that time has maintained connection with the Indian industry, at various times bidding in India's exploration and field development rounds and working with Indian companies as joint venture partners, both in India and internationally.

Mr Mark Bolton

(Chief Financial Officer and Company Secretary)

B Business

Mr Bolton was appointed Chief Financial Officer and Company Secretary in June 2016. He has significant experience in the resource sector in Australia, having worked as Chief Financial Officer and Company Secretary for a number of resource companies since 2003. Prior to this, Mr Bolton worked with Ernst & Young as an Executive Director in Corporate Finance. Mr Bolton has experience in the areas of commercial management and the financing of resource projects internationally. He also has extensive experience in capital and equity markets in a number of jurisdictions including ASX and AIM.

Mr Ashish Khare

(Head - India Assets - appointed 8 November 2016)

Bachelor of Engineering (BE in Chemical Engineering, including petroleum management)

Mr Khare was appointed Head - India Assets on 8 November 2016 and is based in Gandhinagar India and has over 18 years of experience in the petroleum industry. Mr Khare's area of expertise include upstream oil and gas, as well as midstream and downstream project implementation and operation management. Mr Khare originally worked for Oilex as GM Operations & Business Development, and has experience working for various Indian companies including Cairn India Ltd and Reliance Petroleum.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year included:

- exploration for oil and gas;
- appraisal and development of oil and gas prospects; and
- production and sale of oil and gas.

There were no significant changes in the nature of the activities during the year.

OPERATING RESULTS

The loss after income tax of the consolidated entity for the year ended 30 June 2019 amounted to $3,118,121 (2018: loss of $4,230,977).

Revenue for the period decreased due to lower production. Production was cycled from Cambay-77 to Cambay-73 in the September 2018 quarter resulting in minimal oil production thereafter. Gas production from Cambay-73 was voluntarily shut in during the March 2019 quarter with production ceasing from thereon.

The prior year results included a reduction in variable operating expenses as part of Group's effort to reduce costs. In the current year, efforts to contain costs have continued with further reductions in exploration $491,675 (2018: $651,993) and administration employee expenses $819,627 (2018: $925,660).

Total Administration expenses of $1,957,850 (2018: $2,101,485) include the above-mentioned reduction in employee expenses; however, this has been offset by increased legal expenses related to the Cambay PSC.

Other expenses include a reduction in doubtful debts expense of $108,206 (2018: $1,233,898).

Cash and cash equivalents held by the Group as at 30 June 2019 has decreased to $357,970 (30 June 2018: $375,507).

FINANCIAL POSITION

The net assets of the consolidated entity totalled $3,364,861 as at 30 June 2019 (2018: $4,008,210).

DIVIDENDS

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

REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations are set out in the Review of Operations on pages 5 to 12 of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Review of Operations details those changes that have had a significant effect on the Group.

Other than those matters, there have been no other significant changes in the state of affairs of the Group that occurred during the financial year.

LIKELY DEVELOPMENTS

Additional comments on expected results on operations of the Group are included in the Review of Operations on pages 5 to 12.

Further disclosure as to likely developments in the operations of the Group and expected results of those operations have not been included in this report as, in the opinion of the Board, these would be speculative and as such, disclosure would not be in the best interests of the Group.

ENVIRONMENTAL ISSUES

The Group's oil and gas exploration and production activities are subject to environmental regulation under the legislation of the respective states and countries in which they operate. The majority of the Group's activities involve low level disturbance associated with its drilling programmes and production from existing wells. The Board actively monitors compliance with these regulations and as at the date of this report is not aware of any material breaches in respect of these regulations

SIGNIFICANT EVENTS AFTER BALANCE DATE

a) On 23 July 2019, the Group entered into an amendment agreement to vary the terms of its loan funding facility of $330,000 entered into on 26 July 2018. Pursuant to the amendment, the loan repayment date has been extended from 26 July 2019 to 1 October 2019. In addition, the Company will issue 124,060,150 new options to the lenders at an exercise price of $0.00266, which were subject to shareholder approval at a General Meeting to be held on 19 September 2019, which was duly forthcoming. All other loan terms and conditions remain the same; and are extended to 1 October 2019.

   The total 91,666,666 share options @ $0.0036 exercisable on or before 26 July 2019, attached to the original loans, were not exercised and have lapsed.

   The above-mentioned 124,060,150 options were subsequently issued on 27 September 2019.

b) On 30 September 2019, the Company entered into an amendment agreement to vary the terns of its loan funding facility of $300,000 entered into on 26 July 2018; and the subsequent amendment noted in a) above. Pursuant to the amendment, the loan repayment date has been extended to 15 October 2019.

   Furthermore, the Company also entered into an amendment agreement to vary the terms of its loan funding facility of $250,000 entered into on 11 September 2018. Pursuant to the amendment, the loan repayment date has been extended from 1 October 2019 to 1 April 2020. Pursuant to the extension, the Company will issue 60,664,887 options at $0.004121 on or before 1 April 2020.

c) On 31 July 2019, the Company announced that it has arranged an equity capital raising to secure funding of £0.34 million (A$0.6 million) through the placing of 257,329,999 new shares at 0.13 pence (A$0.0023) per share. All shares were subsequently issued on 13 August 2019.

d) On 7 August 2019, the Company announced that it has entered into an agreement with Holloman Energy Corporation (HEC) to acquire its 48.5003% interest in the Petroleum Exploration Licence (PEL) 112 and 444 license (the Licenses) in the world class Cooper-Eromanga Basins in South Australia.

   Pursuant to the share purchase agreement entered into with HEC, the Company will acquire 100% of its wholly owned subsidiary, Holloman Petroleum Pty Ltd ("HPPL") for gross consideration of 40,416,917 ordinary shares in the Company (Shares) at a deemed price of A$0.003 and A$24,250 for a total consideration of A$145,500.

e) On 14 August 2019, the Company announced that it has entered into an agreement with Perseville Investing Inc and Terra Nova Energy (Australia) Pty Ltd (TNA) (collectively, TNP) to acquire up to a further 51.4997% interest in the PEL's 112 and 444 licenses.

   Pursuant to the share purchase agreement entered into with TNP, the Company will acquire a further participating interest of 30.833% in the Licenses for consideration of 9,166,333 ordinary shares in the Company at a deemed price of A$0.003 and A$65,000 in cash for a total consideration of A$92,499.

   In addition, the Company has been granted an Option by TNP for up to 15 months to acquire a further 20.6667% participating interest in the Licenses (Option). The Option can be exercised for consideration of 20,666,700 ordinary shares in the Company at a deemed price of A$0.003 for a total consideration of A$62,000 (Option Exercise Shares).

f) In October 2018, the Company announced that Autoridade Nacional Do Petroleo E Minerais (ANPM) had commenced arbitration proceedings against Oilex and its joint venture partners (Respondents), in regard to the JPDA production sharing contract (PSC).

   On 16 August 2019, the Company announced it had submitted the Respondents First Memorial to the International Chamber of Commerce (ICC) in Singapore. In this regard, following a substantive legal and independent expert review, the joint venture has lodged a counterclaim against the ANPM for the amount of US$23.3 million (plus interest) as damages arising from the wrongful termination of the PSC.

   The arbitration hearing is scheduled to commence on 10 February 2020.

   Refer Note 26 for the full background information on this matter.

DIRECTORS' REPORT

SIGNIFICANT EVENTS AFTER BALANCE DATE (CONTINUED)

g) On 9 September 2019, the Company announced it has reached an agreement with Gujarat State Petroleum Corporation (GSPC) which, upon completion, will resolve the ongoing Cambay PSC dispute (the Agreement). Significantly, the Indian Directorate General of Hydrocarbons is a signatory to the Agreement.

As previously announced in March 2019, the State Government of Gujarat and the GSPC Board of Directors' have approved a sales process for many of GSPC's Indian E&P assets. Oilex and GSPC have now agreed to include GSPC's 55% Participating Interest (PI) in the Cambay PSC in this sale process. GSPC has also undertaken to use its best endeavours to complete the sale process within 90 days from commencement.

Pursuant to the Agreement, the Event of Default (EoD) and Event of Withdrawal (EoW) declared by Oilex pursuant to the Cambay Field Joint Operating Agreement (JOA) has been withdrawn and the arbitration tribunal of the Singapore International Arbitration Centre (SIAC) issued an order on 24 September 2019 terminating the arbitration proceedings instituted by GSPC. GSPC has also undertaken to remove the stay order granted in the High Court of Gujarat.

h) On 16 September 2019, the Company announced it has entered into an exclusivity agreement with Koru Energy (KLW) Ltd ("Koru"), a subsidiary of Koru Energy Limited, for a potential acquisition of up to a 50% relevant interest in the Knox and Lowry, and Whitbeck gas discoveries (the "KLW Gas Discoveries") in the East Irish Sea (EIS), offshore the United Kingdom ("Exclusivity Agreement").

The KLW Gas Discoveries are a series of shallow water gas accumulations that were discovered between 1992 and 2009 by the then operators and successfully drill-stem tested confirming discovered volumes that the Company and Koru would seek to bring into production, should the acquisition complete. The KLW Gas Discoveries are ideally located very close to a subsea tie-back pipeline which delivers gas to the nearby and recently refurbished North Morecambe Gas Production Platform and Terminal.

The EIS is a prolific basin which has produced more than 6TCF of gas to date with considerable existing gas production, gathering, processing and transportation infrastructure. The KLW Gas Discoveries are located in known conventional shallow reservoirs in shallow water near existing EIS gathering and production infrastructure reducing the complexity, risk and cost of development.

i) On 27 September, the Company announced that it has entered into a binding term sheet with Senex Energy Limited and certain of its related entities (together referred to as "Senex") to acquire all of Senex's interest as operator in 27 Petroleum Retention Licenses in the Northern Oil and West Gas Fairway in the world class Cooper-Eromanga Basins in South Australia (the "Northern Fairway PRLs"), subject to satisfaction of conditions (including government approvals).

The Company will acquire 100% of Senex's interest in the Northern Fairway PRLs for nominal consideration and assumption of existing abandonment liabilities, PRL fees and PRL expenditure targets.

The existing abandonment liabilities relate to previous exploration drilling activities (including the cased and suspended Paning-2 tight gas discovery well) and associated with the Cordillo 3D seismic acquisition operating camp. The existing rehabilitation liabilities are estimated at approximately $1.1m. However, the rehabilitation does not require immediate rectification.

The total annual amount of the Northern Fairway PRL renewal fees is approximately $1 million. The Company also assumes the expenditure targets under the PRLs. Failure to achieve the expenditure target will result in pro-rata relinquishment of the permits. The Company notes that the Northern Fairway PRLs are currently suspended by the South Australian Government, suspending the annual license fees and work obligations. Oilex intends to continue this suspension for a period.

The agreement with Senex is subject to various conditions including the approval of Oilex as operator of the Northern Fairway PRLs by the South Australian Government. Hartleys Limited, a leading Australian corporate advisory and stockbroking financial services firm, has been appointed to lead the arrangement of funding for the acquisition. Subject to the receipt of regulatory approvals, Oilex anticipates completion of the acquisition by the end of Calendar Year 2019.

j) On 30 September 2019, the Company announced that it has arranged an equity capital raising to secure funding of £0.6 million (A$1.1 million) through the placing of 315,789,474 new shares at 0.19 pence (A$0.00348) per share. The shares will be issued to Novum Securities and existing shareholders.

There were no other significant subsequent events occurring after year end.

FINANCIAL POSITION

Capital Structure and Treasury Policy

As at 30 June 2019 the Group had unsecured loans at face value $580,000 (2018: $nil). Refer note 14 of the Consolidated Financial Statements for details of the carrying amount, terms and conditions, repayment schedule, and options attached to the loans.

Details of transactions involving ordinary shares during the financial year are as follows:

	Number of Shares Issued	Value of Shares $	Gross Amount Raised $
September 2018			
- Share Placements	249,117,189	-	857,723
September 2018			
- Shares Issued for Consulting Services	10,843,344	37,415	-
September 2018			
- Non-executive Director Remuneration	3,467,070	13,868	-
November 2018			
- Exercise of Unlisted Options	90,190,999	-	356,187
November 2018			
-Non-executive Director Remuneration	1,724,904	13,800	-
December 2018			
- Share Placements	84,676,114	-	458,809
December 2018			
- Exercise of Unlisted Options	10,000,000	-	39,180
January 2019			
- Share Placements	125,000,000	-	809,517
April 2019			
- Shares Issued for Consulting Services	1,760,000	8,800	-
April 2019			
- Non-executive Director Remuneration	2,772,864	13,864	-
June 2019			
- Shares Issued for Consulting Services	2,324,569	9,298	-
June 2019			
-Non-executive Director Remuneration	3,472,569	13,890	-
Total	**583,025,053**	**110,935**	**2,632,351**

In accordance with the ASX Waiver granted 17 October 2018 the Company advises that the number of remuneration shares that were issued to non-executive directors totalled 11,437,407. This represents 0.44% of the Company's issued capital as at 30 June 2019.

As at the date of this report the Company had a total issued capital of 2,878,064,483 ordinary shares and 69,553,776 unlisted options exercisable at weighted average price of $0.004 per share.

DIRECTORS' REPORT

FINANCIAL POSITION (CONTINUED)

Material Uncertainty Related to Going Concern

The financial report and audit opinion for the year ended 30 June 2019 identifies a material 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 Project.

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 joint venture contributions, equity raisings 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.

DIRECTORS' INTERESTS

The relevant interest of each director in shares and unlisted options issued by the Company, as notified by the directors to the ASX in accordance with Section 205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Number of Ordinary Shares	
	Direct	Indirect
B Lingo	13,648,950	-
P Haywood	3,319,101	-
J Salomon	14,987,013	-
P Schwarz	-	-

SHARE OPTIONS

Unissued shares under options

All options were granted in the current and previous financial years.

At the date of this report, unissued ordinary shares of the Company under option (with an exercise price) are:

Expiry Date	Number of Shares	Exercise Price
Unlisted Options		
Issued in 2019:		
1 October 2019 [(1)]	60,664,887	$0.004121
24 December 2020	6,666,667	£0.0036 ($0.004)
Issued in previous financial years:		
22 May 2020	2,222,222	£0.0025 ($0.004)
Total	**69,553,776**	

(1) Issued in connection to unsecured loans. Refer note 14 of the Consolidated Financial Statements for further detail.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Unissued shares under option that expired during the year

During the financial year, the following unlisted employee and advisor options expired or were cancelled upon cessation of employment:

Date Lapsed	Number	Exercise Price
6 August 2018	275,000	$0.35
Total	**275,000**	

Shares issued on exercise of unlisted options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of unlisted options as follows (there were no amounts unpaid on the shares issued):

	Number of Shares	Amount Paid on Each Share
During the financial year	9,473,684	£0.002 ($0.003)
	74,944,444	£0.002 ($0.004)
	15,772,871	$0.004
Total	**100,190,199**	
Since the end of the financial year	-	

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group paid a premium in respect of insurance cover for the directors and officers of the Group. The Group has not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' liability and legal expense insurance contracts, as such disclosure is prohibited under the terms of the insurance contract.

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the Company, nor has any application been made in respect of the Company under Section 237 of the Corporations Act 2001.

NON-AUDIT SERVICES

The Company may decide to employ the Auditor on assignments additional to their statutory audit duties where the Auditor's expertise and experience with the Group is important.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

» all non-audit services were subject to the corporate governance procedures adopted by the Group and these have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and

» the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Refer note 24 of the Consolidated Financial Statements for details of the amounts paid to the auditor of the Group, KPMG Australia, and its network firms for audit and non-audit services provided during the year.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar, unless otherwise stated.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the year ended 30 June 2019 has been received and can be found on page 32.

DIRECTORS' REPORT

REMUNERATION REPORT - AUDITED

The Board has performed the function of the Nomination and Remuneration Committee since June 2016 when the Board considered that, given the size and composition of the existing Board, that there are no efficiencies to be gained by having a separate committee. The Board has adopted a Nomination and Remuneration Committee Charter, which describes the role, composition, functions and responsibilities of the committee. The Nomination and Remuneration Committee is responsible for the review and recommendation to the Board, of the Company's Remuneration Policy, senior executives' remuneration and incentives, the remuneration framework for directors, superannuation arrangements, incentive plans and remuneration reporting.

1. PRINCIPLES OF COMPENSATION

Remuneration is referred to as compensation throughout this report. The Remuneration Report explains the remuneration arrangements for directors and senior executives of Oilex Ltd who have authority and responsibility for planning, directing and controlling the activities of the Group (key management personnel).

The compensation structures explained below are designed to attract, retain and motivate suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders.
The compensation structures take into account:

» the capability and experience of the key management personnel;

» the ability of key management personnel to control the performance of the relevant segments;

» the current downturn of the resources industry;

» the Company's performance including:

» the Group's earnings; and

» the growth in share price and delivering constant returns on shareholder wealth;

» exploration success; and

» development of projects.

Compensation packages include a mix of fixed compensation and long-term performance-based incentives. In specific circumstances the Group may also provide short-term cash incentives based upon the achievement of Company performance hurdles or in recognition of specific achievements.

1.1 Fixed Compensation

Fixed compensation consists of base compensation and employer contributions to superannuation funds. Compensation levels are reviewed annually through a process that considers individual, sector and overall performance of the Group. In addition, reviews of available data on oil and gas industry companies provide comparison figures to ensure the directors' and senior executives' compensation is competitive in the market.

Reductions in remunerations introduced in 2016 and 2017 for Non-Executive Directors, the Managing Director, the Chief Financial Officer, and all staff have remained in place for the full financial year ended 2019.

Compensation for senior executives is separately reviewed at the time of promotion or initial appointment.

1.2 Performance Linked Compensation

Performance linked compensation includes both short-term and long-term incentives designed to reward key management personnel for growth in shareholder wealth. The short-term incentive (STI) is an "at risk" bonus provided in the form of cash or shares, while the long-term incentive plan (LTI) is used to reward performance by granting options over ordinary shares of the Company.

Short-term incentive bonus

The Group does not utilise short-term incentives on an annual or regular basis, as these are not considered part of the standard compensation package for key management personnel.

In certain circumstances the Board may, for reasons of retention, motivation or recognition, consider the use of short-term incentives.

Short-term incentives, if granted, are at the discretion of the Board having regard to the business plans set before the commencement of the financial year as well as the achievement of performance targets as determined by the Board. These targets include a combination of key strategic, financial and personal performance measures which may have a major influence over company performance in the short-term.

There were no short-term incentives, performance bonuses or shares granted to senior executives or staff during the year ended 30 June 2019.

Long-term incentive bonus

Shareholders approved the 2017 Employee Incentive Plan (the Plan) at the AGM held 29 November 2017, which has yet to be implemented.

The Plan is a long-term incentive plan designed to allow the Group to attract and retain talented employees. The Plan aims to closely align the interests of directors, senior executives, employees and eligible contractors with those of shareholders and create a link between increasing shareholder value and employee reward.

The Plan permits the Board to grant shares and rights to acquire shares in the Company. Rights granted under the Plan may be in the form of options with a market based exercise price, or performance rights, or a combination of these depending upon the Company's objectives in making the grant.

Vesting conditions may include one or more objectives and/or time-based milestones set at the discretion of the Board.

Whilst the Company moved certain assets to development in previous financial years, these have been impaired, and the Company does not generate profits or net operating cash inflows and as such does not pay any dividends, and consequently remuneration packages are not linked to profit performance. It is the performance of the overall exploration and appraisal programme and ultimately the share price that largely determines Oilex's performance. The Board therefore considered that fixed compensation combined with short-term and long-term incentive components is the best remuneration structure for achieving the Company's objectives to the benefit of shareholders. The table below sets out the closing share price at the end of the current and four previous financial years.

	2019	2018	2017	2016	2015
Share Price (cents)	0.2	0.3	0.3	1.0	6.1

The remuneration of directors, may consist of a cash component as well as an equity component, and is designed to retain directors of a high calibre, whilst rewarding them for their ongoing commitment and contribution to the Company on a cost effective basis. The issue of shares, rights or options to directors, subject to shareholder approval, is judged by the Company, to further align the directors' interests with that of shareholders, whilst maintaining the cash position of the Company. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing shares, rights or options to directors.

The Company did not issue any long-term incentives to directors, senior executives or staff during the year ended 30 June 2019.

1.3 Non-Executive Directors

Total compensation for all Non-Executive Directors is based on comparison with external data with reference to fees paid to Non-Executive Directors of comparable companies. Directors' fees cover all main Board activities and membership of committees, if applicable.

The Board resolved to further reduce the remuneration of Non-Executive Directors by 10% effective from 1 October 2016 and these reductions remained in place during the year ended 30 June 2019.

The Chairman's annual fee including superannuation was set at $70,956 per annum effective from 1 October 2016 and remains unchanged.

The Australian based Non-Executive Directors fees including superannuation was set at $49,275 per annum effective 1 October 2016 and remains unchanged.

The annual fee for Mr Haywood, the Company's United Kingdom based Non-Executive Director was set at £30,000 per annum on commencement in May 2017 and remains unchanged.

At the Annual General Meeting held 29 November 2017 shareholders approved the issue of remuneration shares, whereby Non-Executive Directors agreed to receive part of their Directors fees paid through the issue of shares in lieu of cash payments, for the period of 1 November 2017 through to 31 October 2019, in order to conserve the cash reserves of the Company. Similar shareholder approval was also received at the Annual General Meeting held on 29 November 2018 for the period 1 November 2018 through to 31 October 2019.

The aggregate maximum fixed annual amount of remuneration available for Non-Executive Directors of $500,000 per annum was approved by Shareholders on 9 November 2011.

In addition to the fixed component, the Company can remunerate any director called upon to perform extra services or undertake any work for the Company beyond their general duties. This remuneration may either be in addition to, or in substitution for, the director's share of remuneration approved by Shareholders.

1.4 Clawback Policy

The Board has adopted the following Clawback Policy applicable from August 2015.

In relation to circumstances where an employee acts fraudulently or dishonestly, or wilfully breaches his or her duties to the Company or any of its subsidiaries, the Board has adopted a clawback policy in relation to any cash performance bonuses (including deferred share awards) or LTIs. The Board reserves the right to take action to reduce, recoup or otherwise adjust an employee's performance based remuneration in circumstances where in the opinion of the Board, an employee has acted fraudulently or dishonestly or wilfully breached his or her duties to the Company or any of its subsidiaries. The Board may:

» deem any bonus payable, but not yet paid, to be forfeited;

» require the repayment by the employee of all or part of any cash bonus received;

» determine that any unvested and/or unexercised LTIs will lapse;

» require the repayment of all or part of the cash amount received by the employee following vesting and subsequent sale of a LTI;

» reduce future discretionary remuneration to the extent considered necessary or appropriate to take account of the event that has triggered the clawback;

» initiate legal action against the employee; and/or

» take any other action the Board considers appropriate.

1.5 Remuneration Consultants

There were no remuneration recommendations made in relation to key management personnel by remuneration consultants in the financial year ended 30 June 2019.

1.6 Adoption of year ended 30 June 2018 Remuneration Report

At the Annual General Meeting held 29 November 2018 shareholders adopted the 30 June 2018 Remuneration Report with a clear majority of 269,627,880 votes in favour, being 96.97% of the votes cast.

DIRECTORS' REPORT

2. EMPLOYMENT CONTRACTS

The following table summarises the terms and conditions of contracts between key executives and the Company:

Executive	Position	Contract Start Date	Contract Termination Date	Resignation Notice Required
J Salomon	Managing Director	18 March 2016	18 March 2020 (2)	3 months
M Bolton	Chief Financial Officer and Company Secretary	3 June 2016	31 May 2020 (3)	3 months
A Khare	Head of India Assets	1 May 2015	n/a	30 days

(1) The Company may terminate the contract immediately if serious misconduct has occurred. In this case the termination payment is only the fixed remuneration earned until the date of termination and any unvested options will immediately be forfeited.

(2) The Managing Director's contract has extended by mutual agreement between the Company and Mr Salomon on an ongoing basis as at the date of this report..

(3) The Chief Financial Officer's contract has been extended by mutual agreement between the Company and Mr Bolton on an ongoing basis as at the date of this report.

Unvested Options on Resignation	Termination Notice Required from the Company [1]	Termination Payment
Forfeited	3 months	For termination by the Company, three months' salary plus any accrued leave entitlement. If a Material Change Event occurs, employee may give notice to the Company within one month of the Material Change Event, terminating the Contract of Employment and following that effective date, the Company will pay a Termination Payment equal to six months' fixed annual remuneration. The fixed annual remuneration of $350,000 was reduced by agreement to $271,950 effective from 1 October 2016. Subject to the Corporations Act 2001 and any necessary approvals required thereunder.
Forfeited	3 months	For termination by the Company, three months' salary plus any accrued leave entitlement.
Forfeited	30 days	For termination by the Company, one months' salary plus any accrued leave entitlement.

DIRECTORS' REPORT

3. DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

Details of the nature and amount of each major element of remuneration of each director of the Company and other key management personnel of the consolidated entity are:

		Short-Term			
		Salary & Fees	STI Cash Bonus	Benefits (including Non-Monetary) [1]	Total
	Year	$	$	$	$
Non-Executive Directors					
B Lingo [5]	**2019**	**20,232**	**-**	**-**	**20,232**
Chairman	2018	31,716	-	-	31,716
P Haywood [6]	**2019**	**44,069**	**-**	**-**	**44,069**
Non-Executive Director	2018	46,052	-	-	46,052
Executive Director					
J Salomon [7]	**2019**	**209,670**	**-**	**9,127**	**218,797**
Managing Director	2018	223,043	-	8,259	231,302
Executives					
M Bolton [8]	**2019**	**190,000**	**-**	**7,141**	**197,141**
Chief Financial Officer/Company Secretary	2018	201,875	-	6,620	208,495
A Khare [9]	**2019**	**151,504**	**-**	**4,984**	**156,488**
Head of India Assets	2018	155,788	-	313	156,101
Total	**2019**	**615,475**	**-**	**21,252**	**636,727**
Total	2018	677,224	-	15,192	692,416

The Directors of the Company may be Directors of the Company's subsidiaries. No remuneration is received for directorships of subsidiaries. All key management personnel other than A Khare are employed by the parent entity.

Refer to the following explanatory notes for additional information.

DIRECTORS' REPORT

Post-Employment Superannuation Benefits	Other Long-Term Benefits (2)	Termination Benefits	Share-based Payments: Shares, Options and Rights (3)	Total	Proportion of Remuneration Performance Related (4)
$	$	$	$	$	%
6,156	**-**	**-**	**44,568**	**70,956**	**-**
6,156	-	-	33,084	70,956	-
-	**-**	**-**	**10,886**	**54,955**	
-	-	-	7,144	53,196	-
19,945	**21,316**	**-**	**-**	**260,058**	**-**
21,189	21,316	-	-	273,807	-
18,050	**15,489**	**-**	**-**	**230,680**	**-**
19,178	15,489	-	-	243,162	-
15,517	**3,737**	**-**	**-**	**175,742**	**-**
15,616	-	-	-	171,717	-
59,668	**40,452**	**-**	**55,454**	**792,391**	**-**
63,920	36,805	-	40,228	833,369	-

DIRECTORS' REPORT

3. DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION (CONTINUED)

Notes in Relation to Directors' and Executive Officers' Remuneration

(1) Benefits, including non-monetary include relocation costs and related expenses, as well as minor benefits, such as payments on behalf of employees considered personal, insurance premiums, car parking and any associated fringe benefits tax.

(2) Includes, where applicable, accrued employee leave entitlement movements.

(3) The 2019 share-based payment disclosures relate to the issue of remuneration shares (refer point 4 below). No unlisted options were issued to key management personnel or executives as remuneration during the year ended 30 June 2018 or 30 June 2019. In accordance with the ASX waiver granted 17 October 2018, the Company advises that the number of remuneration shares that were issued to directors in the year ended 30 June 2019 totalled 11,437,407 and the percentage of the Company's issued capital represented by these remuneration shares was 0.44%.

(4) Fees for Non-Executive Directors are not linked to the performance of the Group. At the Annual General Meeting held 29 November 2017 shareholders approved the issue of remuneration shares, whereby Non-Executive Directors agreed to receive part of their Directors fees paid through the issue of shares in lieu of cash payments, for the period of 1 November 2017 through to 31 October 2018, in order to conserve the cash reserves of the Company. Similar shareholder approval was also received at the Annual General Meeting held on 29 November 2018 for the period 1 November 2018 to 31 October 2019.

(5) Mr Lingo was appointed a Non-Executive Director on 11 February 2016 and interim Chairman on 23 February 2017 at an annual salary of $70,956 inclusive of statutory superannuation. During 2019 Mr Lingo received 9,192,150 remuneration shares (refer point 3 above) at a value of $44,568. As at 30 June 2019 remuneration shares not yet issued to Mr Lingo had a value of $10,800. These shares will be issued in the next financial year.

(6) Mr Haywood was appointed a Non-Executive Director on 29 May 2017. Mr Haywood is based in the United Kingdom and is paid £30,000 per annum. The amount disclosed is converted into Australian dollars at the applicable exchange rate at the date of payment. During 2018 Mr Haywood received 2,245,257 remuneration shares (refer point 3 above) at a value of $10,854. As at 30 June 2019 remuneration shares not yet issued to Mr Haywood had a value of $1,807. These shares will be issued in the next financial year.

(7) Mr Salomon was appointed Managing Director in March 2016 with an initial fixed annual remuneration of $350,000 per annum, inclusive of statutory superannuation, which was reduced to $271,950 inclusive of statutory superannuation effective from 1 October 2016, following the implementation of cost reductions by the Company.

During the current financial year, Mr Salomon, requested and was granted 40.5 days leave without pay, further reducing his salary by $42,361 inclusive of statutory superannuation.

(8) Mr Bolton was appointed CFO on 3 June 2016, with an initial fixed annual remuneration of $273,750 inclusive of statutory superannuation, which was reduced to $260,063 effective 1 October 2016. The amount paid in the year ended 30 June 2019 reflects the reduced working hours implemented 1 October 2017 to facilitate a 20% reduction in salaries.

(9) Mr Khare became key management personnel on 8 November 2016 and is based in India. The amount paid in the year ended 30 June 2019 reflects the reduced working hours implemented 1 October 2017 to facilitate a 20% reduction in salaries. Mr Khare's remuneration has been converted from Indian Rupees at the average exchange rate for the year.

Analysis of bonuses included in remuneration

There were no short-term incentive cash bonuses awarded as remuneration to key management personnel during the financial year.

4. EQUITY INSTRUMENTS

All rights and options refer to rights and unlisted options over ordinary shares of the Company, which are exercisable on a one-for-one basis.

4.1 Rights and Options Over Equity Instruments Granted as Compensation

There were no rights or options over ordinary shares granted as compensation to key management personnel during the financial year (2018: nil).

4.2 Rights and Options Over Equity Instruments Granted as Compensation Granted Since Year End

No rights and options over ordinary shares in the Company were granted as compensation to key management personnel and executives since the end of the financial year.

4.3 Modification of Terms of Equity-Settled Share-based Payment Transactions

No terms of equity-settled share-based payment transactions (including options granted as compensation to key management personnel) have been altered or modified by the issuing entity during the financial year.

4.4 Exercise of Options Granted as Compensation

During the financial year no shares were issued on the exercise of options previously granted as compensation.

4.5 Details of Equity Incentives Affecting Current and Future Remuneration

There are no rights or options currently held by key management personnel, (2018: nil).

4.6 Analysis of Movements in Equity Instruments

There were no shares, rights or options over ordinary shares in the Company granted to or exercised by key management personnel in the current year.

4.7 Options or Rights over Equity Instruments Granted as Compensation

There are no rights or options held by key management personnel, or their related parties as at 1 July 2018 through to 30 June 2019.

DIRECTORS' REPORT

5. KEY MANANGEMENT PERSONNEL TRANSACTIONS

5.1 Other Transactions with Key Management Personnel

There were no other transactions with entities associated with key management personnel in the year ended 30 June 2019 (2018: nil).

5.2 Movements in Shares

The movement during the financial year in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2018	Received on Exercise of Options	Remuneration Shares Issued (1)	Other Changes (2)	Held at 30 June 2019
J Salomon	14,987,013	-	-	-	14,987,013
B Lingo	4,456,800	-	9,192,150	-	13,648,950
P Haywood	1,073,844	-	2,245,257	-	3,319,101
M Bolton	-	-	-	-	-
A Khare	-	-	-	-	-

(1) At the AGM held 29 November 2017 shareholders approved the issue of remuneration shares, whereby two Non-Executive Directors agreed to receive part of their Directors fees paid through the issue of shares in lieu of cash payments, for the period of 1 November 2017 through to 31 October 2018, in order to conserve the cash reserves of the Company. Similar shareholder approval was also received at the Annual General Meeting held on 29 November 2019 for the period 1 November 2018 to 1 October 2019.

(2) Other changes represent shares that were granted, purchased or sold during the year.

END OF REMUNERATION REPORT - AUDITED

Mr Brad Lingo
Chairman

Mr Jonathan Salomon
Managing Director

Signed in accordance with a resolution of the Directors.

West Perth, Western Australia

30 September 2019

LEAD AUDITOR'S
INDEPENDENCE DECLARATION

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 audit of Oilex Ltd for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Derek Meates

Partner

Perth

30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue	4(a)	**188,220**	163,562
Cost of sales	4(b)	**(504,926)**	(199,266)
Gross loss		**(316,706)**	(35,704)
Other income	4(c)	**-**	13,139
Exploration expenditure	4(d)	**(491,675)**	(651,993)
Administration expense	4(e)	**(1,957,850)**	(2,101,485)
Share-based payments expense	22	**(110,935)**	(90,211)
Provision for doubtful debts expense	12	**(108,206)**	(1,233,898)
Other expenses	4(f)	**(40,990)**	(110,395)
Results from operating activities		**(3,026,362)**	(4,210,547)
Finance income	4(g)	**4,403**	6,358
Finance costs	4(h)	**(97,162)**	(20)
Foreign exchange (loss)/gain	4(i)	**1,000**	(26,768)
Net finance costs		**(91,759)**	(20,430)
Loss before tax		**(3,118,121)**	(4,230,977)
Tax expense	5	**-**	-
Loss		**(3,118,121)**	(4,230,977)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		**79,951**	(213,981)
Other comprehensive income, net of tax		**79,951**	(213,981)
Total comprehensive loss		**(3,038,170)**	(4,444,958)
Earnings per share			
Basic loss per share (cents per share)	6	**(0.13)**	(0.24)
Diluted loss per share (cents per share)	6	**(0.13)**	(0.24)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 $	2018 $
Assets			
Cash and cash equivalents	11	**357,970**	375,507
Trade and other receivables	12	**497,974**	738,784
Prepayments		**156,464**	115,271
Inventories	9	**1,141,309**	1,303,245
Total current assets		**2,153,717**	2,532,807
Exploration and evaluation	7	**568,888**	539,793
Development assets	8	**6,495,590**	6,165,255
Property, plant and equipment	16	**145,927**	178,930
Total non-current assets		**7,210,405**	6,883,978
Total assets		**9,364,122**	9,416,785
Liabilities			
Trade and other payables	13	**697,184**	779,249
Employee benefits	10	**148,731**	274,651
Borrowings	14	**563,955**	-
Provisions	10, 26	**855,554**	811,798
Total current liabilities		**2,265,424**	1,865,698
Provisions	10	**3,733,837**	3,542,877
Total non-current liabilities		**3,733,837**	3,542,877
Total liabilities		**5,999,261**	5,408,575
Net assets		**3,364,861**	4,008,210
Equity			
Issued capital	17(a)	**176,502,200**	174,046,036
Reserves	17(b)	**7,501,388**	7,628,101
Accumulated losses		**(180,638,727)**	(177,665,927)
Total equity		**3,364,861**	4,008,210

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

		Attributable to Owners of the Company					
	Note	Issued Capital $	Option Reserve $	Loans Options Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total Equity $
		17(a)	17(b)	17(b)	17(b)		
Balance at 30 June 2017		172,866,479	583,571	-	7,510,193	(173,686,632)	7,273,611
Total comprehensive (loss)/income							
Loss		-	-	-	-	(4,230,977)	(4,230,977)
Other comprehensive income							
Foreign currency translation differences		-	-	-	(213,981)	-	(213,981)
Total other comprehensive loss		-	-	-	(213,981)	-	(213,981)
Total comprehensive (loss)/income		-	-	-	(213,981)	(4,230,977)	(4,444,958)
Transactions with owners of the Company Contributions and distributions							
Shares issued		1,100,000	-	-	-	-	1,100,000
Capital raising costs [(1)]		(53,800)	-	-	-	-	(53,800)
Shares issued on exercise of options		43,146	-	-	-	-	43,146
Transfers on forfeited options		-	(251,682)	-	-	251,682	-
Share-based payment transactions		90,211	-	-	-	-	90,211
Total transactions with owners of the Company		1,179,557	(251,682)	-	-	251,682	1,179,557
Balance at 30 June 2018		174,046,036	331,889	-	7,296,212	(177,665,927)	4,008,210
Additional doubtful debts provision recognised on implementation of AASB 9		-	-	-	-	(177,874)	(177,874)
Balance at 30 June 2018 - adjusted		174,046,036	331,889	-	7,296,212	(177,843,801)	3,830,336
Total comprehensive (loss)/income							
Loss		-	-	-	-	(3,118,121)	(3,118,121)
Other comprehensive income							
Foreign currency translation differences		-	-	-	79,951	-	79,951
Total comprehensive (loss)/income		-	-	-	79,951	-	79,951
Total comprehensive loss		-	-	-	79,951	(3,118,121)	(3,038,170)
Transactions with owners of the Company Contributions and distributions							
Shares issued		2,126,049	-	-	-	-	2,126,049
Capital raising costs		(176,187)	27,791	-	-	-	(148,396)
Shares issued on exercise of options		395,367	(293,217)	-	-	293,217	395,367
Transfers on forfeited options		-	(29,978)	-	-	29,978	-
Recognition of equity component of loans (Note 14)		-	-	98,685	-	-	98,685
Derecognition of equity component of loan upon repayment		-	-	(9,945)	-	-	(9,945)
Share-based payment transactions		110,935	-	-	-	-	110,935
Total transactions with owners of the Company		2,456,164	(295,404)	88,740	-	323,195	2,572,695
Balance at 30 June 2019		**176,502,200**	**36,485**	**88,740**	**7,376,163**	**(180,638,727)**	**3,364,861**

[(1)] Capital raising costs include cash payments and the fair value of options granted to the underwriter.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Cash receipts from customers		**260,501**	101,733
Payments to suppliers and employees		**(2,575,376)**	(2,642,215)
Cash outflow from operations		**(2,314,875)**	(2,540,482)
(Payments for)/proceeds from exploration and evaluation expenses		**(629,639)**	(1,419,516)
Interest received		**6,417**	6,247
Interest paid		**(24,466)**	(20)
Net cash used in operating activities	11	**(2,962,563)**	(3,953,771)
Cash flows from investing activities			
Proceeds from disposals of assets and scrap materials		**572**	13,139
Acquisition of property, plant and equipment		**(2,149)**	-
Net cash from/(used in) investing activities		**(1,577)**	13,139
Cash flows from financing activities			
Proceeds from issue of share capital	17(a)	**2,126,049**	1,100,000
Proceeds from exercise of share options		**395,367**	43,146
Payment for share issue costs		**(148,396)**	(47,415)
Proceeds from borrowings		**645,000**	-
Repayment of borrowings		**(65,000)**	-
Net cash from financing activities		**2,953,020**	1,095,731
Net decrease in cash and cash equivalents		**(11,120)**	(2,844,901)
Cash and cash equivalents at 1 July		**375,507**	3,215,565
Effect of exchange rate fluctuations on cash held		**(6,417)**	4,843
Cash and cash equivalents at 30 June	11	**357,970**	375,507

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

ABOUT THIS REPORT - OVERVIEW

NOTE 1 – REPORTING ENTITY

Oilex Ltd (the Company) is a for-profit entity domiciled in Australia. These consolidated financial statements 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.

NOTE 2 – BASIS OF PREPARATION

(a) Statement of Compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 30 September 2019.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for share-based payment arrangements measured at fair value and the foreign currency translation reserve.

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for some measurement and/or disclosure purposes and where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(c) 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 $3,118,121 and had cash outflows from operating activities of $2,962,563. As at 30 June 2019, the Group's current liabilities exceeded current assets by $111,707 and the Group has cash and cash equivalents of $357,970.

On 31 July 2019, the Company announced that it had arranged an equity capital raising to secure funding of £0.34 million (A$0.6 million) through the placing of 257,329,999 new shares at 0.13 pence (A$0.0023) per share. All shares were subsequently issued on 13 August 2019.

On 26 July and 11 September 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 would be applied to the outstanding loan balance which was due on 26 July 2019 of $330,000 and 1 October 2019 of $250,000.

On 23 July 2019, the Group entered into an amendment agreement to vary the terms of its loan funding facility of $330,000 entered into on 26 July 2018. Pursuant to the amendment, the loan repayment date was extended from 26 July 2019 to 1 October 2019. In addition, the Company will issue 124,060,150 new options to the lenders at an exercise price of $0.00266 and expiry date of 31 December 2019, which was approved at a General Meeting held on 19 September 2019. All other loan terms and conditions remain the same; and are extended to 1 October 2019.

The total 91,666,666 share options @ $0.0036 exercisable on or before 26 July 2019, attached to the above-mentioned loans, were not exercised and have lapsed.

On 30 September 2019, the Company entered into an amendment agreement to vary the terms of its loan funding facility of $300,000 entered into on 26 July 2018. Pursuant to the amendment, the loan repayment date has been extended to 15 October 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Furthermore, the Company also entered into an amendment agreement to vary the terms of its loan funding facility of $250,000 entered into on 11 September 2018. Pursuant to the amendment, the loan repayment date has been extended from 1 October 2019 to 1 April 2020.

On 30 September 2019, the Company announced that it has arranged an equity capital raising to secure funding of £0.6 million (A$1.1 million) through the placing of 315,789,474 new shares at 0.19 pence (A$0.00348) per share. The shares will be issued to Novum Securities and existing shareholders upon settlement which is expected on or about mid-October 2019 which is necessary for the Group in the short-term to repay the $330,000 loan and cash payments for new business opportunities.

The Group also requires further funding within the next twelve months in order to repay the $250,000 loan, meet planned expenditures for its projects and ongoing administrative expenses and to progress the Cambay drilling programme, and for the new business opportunities in the Cooper-Eromanga Basins and for any new business opportunities that the Group may pursue (refer to note 27). The Group may also require funds in relation to the matter set out in note 26.

The Directors believe that the Group 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 Group 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.

(d) Currency and Foreign Currency Transactions

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. The functional currency of the Company's subsidiaries is United States or Australian dollars.

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the foreign exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

(e) Basis of Consideration

These consolidated financial statements comprise the Company and its subsidiaries (collectively the Group and individually Group Entities).

i) Subsidiaries

Subsidiaries are entities controlled by the Group. The list of controlled entities is contained in note 18. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Joint Arrangements - Joint Operations

The interests of the Group in unincorporated joint operations and jointly controlled assets are recorded in note 18.

iii) Transactions Eliminated on Consolidation

Intragroup balances and transactions, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2 – BASIS OF PREPARATION (CONTINUED)

(f) Key Estimates, Judgements and Assumptions

In preparing these consolidated financial statements, management continually evaluate judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances. Actual results may differ from these judgements, estimates and assumptions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

A key assumption underlying the preparation of the financial statements is that the entity will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they fall due, and to continue in operation, without any intention or necessity to liquidate or otherwise wind up its operations.

Judgement has been required in assessing whether the entity is a going concern as set out in note 2(c).

In the process of applying the Group's accounting policies, management have made judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year as follows:

Income Tax - refer note 5

Exploration and Evaluation Assets - refer note 7

Development Assets - refer note 8

Provisions - refer note 10

Trade and other receivables - refer note 12

(g) Rounding of Amounts

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

(h) Accounting Policies

Significant accounting policies that are relevant to the understanding of the consolidated financial statements have been provided throughout the notes to the financial statements. Accounting policies that are determined to be non-significant have not been included in the consolidated financial statements.

The accounting policies disclosed have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except for the following changes in accounting policies.

Changes in significant accounting policies

The Group has initially applied AASB 15 and AASB 9 from 1 July 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade and other receivables (refer B. below).

A. AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 18 Revenue and related interpretations.

Under AASB 18, the Group recognised revenue when the significant risks and rewards of ownership transferred to the customer, which was considered to be at the time of delivery of the product to the customer.

Under AASB 15, revenue is recognised when the Group transfers control of products to a customer at the amount to which the Group expects to be entitled. Revenue from the sale of oil and gas is recognised at a point in time when control of the product is transferred to the customer, which is typically on delivery.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of the initial application (i.e. 1 July 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 18 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

The adoption of the new standard had no impact on the financial position or the consolidated financial statements.

B. AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

As a result of the adoption of AASB 9, the Group has adopted consequential amendments to AASB 101 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade and other receivables in other expenses. Consequently, the Group reclassified impairment losses amounting to $1,233,898, recognised under AASB 139, from 'other expenses' to 'provision for doubtful debts expense' in the statement of profit or loss and OCI for the year ended 30 June 2018.

(i) Classification and measurement of financial assets and liabilities

AASB 9 contains three principal classification for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2 – BASIS OF PREPARATION (CONTINUED)

(h) Accounting Policies (continued)

The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 July 2018 relates solely to the new impairment requirements.

	Note	Original classification under AASB 139	New classification under AASB 9	Original carrying amount under AASB 139	New carrying amount under AASB 9
Financial assets				$	$
Cash and cash equivalents		Loans and receivables	Amortised cost	375,507	375,507
Trade and other receivables	(1)	Loans and receivables	Amortised cost	738,784	738,784
Total financial assets				**1,114,291**	**1,114,291**
Financial liabilities					
Trade and other payables		Other financial liabilities	Other financial liabilities	(779,249)	(779,249)
Total financial liabilities				**(779,249)**	**(779,249)**

(1) Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost. An increase of $177,874 in the provision for doubtful debts was recognised in opening retained earnings at 1 July 2018 on transition to AASB 9.

The following table reconciles the carrying amounts of financial assets under AASB 139 to the carrying amounts under AASB 9 on transition to AASB 9 on 1 July 2018.

	AASB 139 carrying amount at 30 June 2018 $	Remeasurement $	AASB 9 carrying amount at 1 July 2018 $
Financial assets			
Amortised cost			
Trade and other receivables (from loans and receivables classification)	738,784	-	738,784
Total amortised cost	**738,784**	**-**	**738,784**

(ii) Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under AASB 9, credit losses are recognised earlier than under AASB 139.

For assets in the scope of the AASB impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of AASB 9's impairment requirements at 1 July 2018 results in an additional allowance for impairment as follows:

Loss allowance at 30 June 2018 under AASB 139	**5,497,703**
Additional impairment recognised at 1 July 2018 on:	
Trade and other receivables as at 30 June 2018	177,874
Loss allowance at 1 July 2018 under AASB 9	**5,675,577**

The Group has not elected to early adopt any other new or amended AASB's that are issued but not yet effective (refer note 28).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

OILEX LTD'S RESULTS FOR THE YEAR

This section focuses on the results and performance of the Group.

NOTE 3 – OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group has identified its operating segments based upon the internal management reports that are reviewed and used by the executive management team in assessing performance and that are used to allocate the Group's resources. The operating segments identified by management are based on the geographical location of the business. Each segment has responsible officers that are accountable to the Managing Director (the Group's chief operating decision maker). The operating results of all operating segments are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's executive management team evaluates the financial performance of the Group and its segments principally with reference to revenues, production costs, expenditure on exploration evaluation and development costs.

The Group undertakes the exploration, development and production of hydrocarbons and its revenue is from the sale of oil and gas. Information reported to the Group's chief operating decision maker is on a geographical basis.

Financing requirements, finance income and expenses are managed at a Group level.

Corporate items include administration costs comprising personnel costs, head office occupancy costs and investor and registry costs. It may also include expenses incurred by non-operating segments, such as new ventures and those undergoing relinquishment. Assets and liabilities not allocated to operating segments and disclosed are corporate, and mostly comprise cash, plant and equipment, receivables as well as accruals for head office liabilities.

Major Customer

The Group's most significant customers are Enertech Fuel Solutions Pvt Limited with gas sales representing 39% of the Group's total revenues (2018: 61%) and Indian Oil Corporation Limited, in its capacity as nominee of the Government of India, with oil sales representing 61% of the Group's total revenues (2018: 39%).

Revenue

Revenue is recognised when the Group transfers control of products to a customer at the amount to which the Group expects to be entitled. Revenue from the sale of oil and gas is recognised at a point in time when control of the product is transferred to the customer, which is typically on delivery.

Expenses

Impairment – refer notes 7 and 8

Doubtful debts – refer note 12

Depreciation – refer note 16

Amortisation – refer note 8

Employee benefits – refer note 10

Leases – refer note 25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 3 – OPERATING SEGMENTS (CONTINUED)

	India		Australia	
	2019 $	2018 $	**2019 $**	2018 $
Revenue				
External revenue	**188,220**	163,562	**-**	-
Cost of sales				
Production costs	**(275,455)**	(259,799)	**-**	-
Amortisation of development assets	**(1,931)**	(3,263)	**-**	-
Movement in oil stocks inventory	**(66,186)**	63,796	**-**	-
Write-down of inventories to net realisable values	**(161,354)**	-	**-**	-
Total cost of sales	**(504,926)**	(199,266)	**-**	-
Gross loss	**(316,706)**	(35,704)	**-**	-
Exploration expenditure expensed	**(456,892)**	(553,369)	**-**	-
Depreciation	**(21,680)**	(24,514)	**-**	-
Share-based payments	**-**	-	**-**	-
Other income	**-**	13,139	**-**	-
Provision for doubtful debts expense	**-**	-	**-**	-
Other expenses	**(10,459)**	(1,341,374)	**-**	-
Reportable segment profit/(loss) before income tax	**(805,737)**	(1,941,822)	**-**	-
Net finance income				
Foreign exchange (loss)/gain				
Income tax expense				
Net loss for the year				
Segment assets	**8,721,862**	8,653,049	**7**	7
Segment liabilities	**4,104,158**	3,917,537	**-**	-

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

(1) Joint Petroleum Development Area.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

JPDA [1]		Indonesia		Corporate [2]		Consolidated	
2019 $	2018 $	**2019 $**	2018 $	**2019 $**	2018 $	**2019 $**	2018 $
-	-	**-**	-	**-**	-	**188,220**	163,562
-	-	**-**	-	**-**	-	**(275,455)**	(259,799)
-	-	**-**	-	**-**	-	**(1,931)**	(3,263)
-	-	**-**	-	**-**	-	**(66,186)**	63,796
-	-	**-**	-	**-**	-	**(161,354)**	-
-	-	**-**	-	**-**	-	**(504,926)**	(199,266)
-	-	**-**	-	**-**	-	**(316,706)**	(35,704)
-	-	**-**	-	**(34,783)**	(98,624)	**(491,675)**	(651,993)
-	-	**-**	-	**(11,084)**	(18,488)	**(32,763)**	(43,002)
-	-	**-**	-	**(110,935)**	(90,211)	**(110,935)**	(90,211)
-	-	**-**	-	**-**	-	**-**	13,139
-	-	**-**	-	**(108,206)**	(1,233,898)	**(108,206)**	(1,233,898)
(85,050)	(23,557)	**233,653**	(6,737)	**(2,104,219)**	(792,210)	**(1,966,075)**	(2,163,878)
(85,050)	(23,557)	**233,653**	(6,737)	**(2,369,226)**	(2,238,431)	**(3,026,360)**	(4,210,547)
						(92,759)	6,338
						998	(26,768)
						-	-
						(3,118,121)	(4,230,977)
14,238	16,809	**-**	-	**628,015**	746,920	**9,364,122**	9,416,785
861,776	815,900	**78,454**	297,022	**954,873**	378,116	**5,999,261**	5,408,575

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4 – REVENUE AND EXPENSES

Loss from ordinary activities before tax has been determined after the following revenues and expenses:

	Note	2019 $	2018 $
(a) Revenue			
Oil sales		**115,673**	63,337
Gas sales		**72,547**	100,225
		188,220	163,562
(b) Cost of Sales			
Production costs		**(275,455)**	(259,799)
Amortisation of development assets		**(1,931)**	(3,263)
Movement in oil stocks inventory		**(66,186)**	63,796
Write-down of inventory to net realisable values		**(161,354)**	-
		(504,926)	(199,266)
(c) Other Income			
Profit on disposal of other assets		**-**	13,139
		-	13,139
(d) Exploration Expense	3	**(491,675)**	(651,993)
(e) Administration Expenses			
Employee benefits expense		**(819,627)**	(925,660)
Redundancy benefits		**(31,928)**	(20,320)
Administration expense		**(1,106,295)**	(1,155,505)
		(1,957,850)	(2,101,485)
(f) Other Expenses			
Depreciation expense	16	**(32,763)**	(43,002)
Oil sales written off		**-**	(63,590)
Loss on disposal of plant and equipment		**(8,227)**	(3,803)
		(40,990)	(110,395)
(g) Finance income			
Interest income		**4,403**	6,358
(h) Finance costs			
Interest expense - borrowings		**(97,162)**	-
Interest expense - other		**-**	(20)
		(97,162)	(20)
(i) Foreign Exchange (Loss)/Gain - net			
Foreign exchange (loss)/gain- realised		**5,582**	(19,858)
Foreign exchange (loss)/gain - unrealised		**(4,582)**	(6,910)
		1,000	(26,768)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Accounting Policy - Revenue

Under AASB 18, the Group recognised revenue when the significant risks and rewards of ownership transferred to the customer, which was considered to be at the time of delivery of the product to the customer.

Under AASB 15, revenue is recognised when the Group transfers control of products to a customer at the amount to which the Group expects to be entitled. Revenue from the sale of oil and gas is recognised at a point in time when control of the product is transferred to the customer, which is typically on delivery.

NOTE 5 – INCOME TAX EXPENSE

Numerical reconciliation between tax expense and pre-tax accounting loss:

	2019 $	2018 $
Loss before tax	**(3,118,121)**	(4,230,977)
Tax using the domestic corporation tax rate of 27.5% (2018: 27.5%)	**(857,483)**	(1,163,519)
Effect of tax rate in foreign jurisdictions	**(497,254)**	(401,298)
Non-deductible expenses		
Share-based payments	**30,507**	24,808
Foreign expenditure non-deductible	**1,609,412**	1,404,174
Other non-deductible expenses	**208,577**	200,478
	493,759	64,643
Unrecognised deferred tax assets generated during the year and not brought to account at reporting date as realisation is not regarded as probable	**-**	-
Tax expense	**493,759**	64,643
Tax losses utilised not previously brought to account	**(493,759)**	(64,643)
Tax expense for the year	**-**	-

Tax Assets and Liabilities

During the year ended 30 June 2019, $493,759 of tax losses were recognised and were offset against the current tax liability resulting in nil tax assets and liabilities.

	2019 $	2018 $
Unrecognised deferred tax assets not brought to account at reporting date as realisation is not regarded as probable – temporary differences		
Other	**27,482,151**	26,397,805
Losses available for offset against future taxable income	**17,018,120**	16,204,468
Deferred tax asset not brought to account	**44,500,271**	42,602,273

The deductible temporary differences and tax losses do not expire under current tax legislation.

The deferred tax asset not brought to account for the 2019 financial year will only be realised if:

» It is probable that future assessable income will be derived of a nature and of an amount sufficient to enable the benefit to be realised;

» The conditions for deductibility imposed by the tax legislation continue to be complied with; and

» The companies are able to meet the continuity of ownership and/or continuity of business tests.

The foreign component of the deferred tax asset not brought to account for the 2019 financial year will only be realised if the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised and the Group continues to comply with the deductibility conditions imposed by the Income Tax Act 1961 (India) and there is no change in income tax legislation adversely affecting the utilisation of the benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 5 – INCOME TAX EXPENSE (CONTINUED)

Tax Consolidation

In accordance with tax consolidation legislation the Company, as the head entity of the Australian tax-consolidated group, has assumed the deferred tax assets initially recognised by wholly owned members of the tax-consolidated group with effect from 1 July 2004. Total tax losses of the Australian tax-consolidated group, available for offset against future taxable income are $5,480,637 (2018: $6,003,749).

Accounting Policy

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Key Estimates and Assumptions

The application of the Group's accounting policy for recognition of tax losses requires management to make certain estimates and assumptions as to future events and circumstances, including the assessment of whether economic quantities of resources have been found, or alternatively, that the sale of the respective areas of interest will be achieved. Any such estimates and assumptions may change as new information becomes available. A deferred tax asset is only recognised for unused losses if it is probable that future taxable profits will be available to utilise those losses.

In determining the amount of current and deferred tax the Group considers the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 6 – LOSS PER SHARE

(a) Basic Loss Per Share

	2019 $	2018 $
Loss used in calculating earnings per share		
Loss for the period attributable to ordinary shareholders	**3,380,391**	4,230,977

	Note	2019 Number	2018 Number
Weighted average number of ordinary shares			
Issued ordinary shares at 1 July	17	**2,001,968,379**	1,684,302,899
Effect of shares issued		**312,684,194**	93,452,655
Effect of share options exercised		**61,790,019**	9,634,703
Weighted average number of ordinary shares at 30 June		**2,376,442,592**	1,787,390,257

(b) Diluted Loss Per Share

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these instruments would result in a decrease in the net loss per share.

Accounting Policy

Basic earnings per share is calculated by dividing net profit or loss attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus element.

Diluted earnings per share is determined by adjusting the profit attributable to ordinary shareholders and weighted average number of shares outstanding for the dilutive effect of potential ordinary shares, which may comprise outstanding options, warrants and their equivalents.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

ASSETS AND LIABILITIES

This section provides information on the assets employed to develop value for shareholders and the liabilities incurred as a result.

NOTE 7 – EXPLORATION AND EVALUATION

	2019 $	2018 $
Balance at 1 July	**539,793**	518,670
Effect of movements in foreign exchange rates	**29,095**	21,123
Balance at 30 June	**568,888**	539,793

As at 30 June 2019, the balance of exploration and evaluation assets relates to the Cambay Field, which is currently at evaluation stage, and there was no impairment of this asset (2018: Nil).

The Cambay Field has minimal production that is sold to a third party.

Accounting Policy

Accounting for exploration and evaluation expenditure is assessed separately for each area of interest. Exploration and evaluation expenditure in respect of each area of interest is accounted for under the successful efforts method. An area of interest is an individual geological area which is considered to constitute a favourable environment for the presence of hydrocarbon resources or has been proven to contain such resources.

Expenditure incurred prior to securing legal rights to explore an area is expensed. Exploration licence acquisition costs relating to established oil and gas exploration areas are capitalised.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in a successful discovery.

All other exploration and evaluation expenditure, including general administration costs, geological and geophysical costs and new venture expenditure is expensed as incurred, except where:

» The expenditure relates to an exploration discovery for which, at reporting date, an assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or

» The expenditure relates to an area of interest under which it is expected that the expenditure will be recouped through successful development and exploitation, or by sale.

When an oil or gas field has been approved for commercial development, the accumulated exploration and evaluation costs are first tested for impairment and then reclassified as development assets.

Impairment of Exploration and Evaluation Expenditure

The carrying value of exploration and evaluation assets are assessed at each reporting date if any of the following indicators of impairment exist:

» The exploration licence term in the specific area of interest has expired during the reporting period or will expire in the near future and it is not anticipated that this will be renewed;

» Expenditure on further exploration and evaluation of specific areas is not budgeted or planned;

» Exploration for and evaluation of oil and gas assets in the specific area has not lead to the discovery of potentially commercial reserves; or

» Sufficient data exists to indicate that the carrying amount of the asset is unlikely to be recovered in full, either by development or sale.

Key Estimates and Assumptions

The application of the Group's accounting policy for exploration and evaluation expenditure necessarily requires management to make certain estimates and assumptions as to future events and circumstances, particularly the assessment of whether economic quantities of resources have been found, or alternatively, that the sale of the respective areas of interest will be achieved. Critical to this assessment are estimates and assumptions as to contingent and prospective resources, the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. These estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is determined that the expenditure is unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8 – DEVELOPMENT ASSETS

	2019 $	2018 $
Cost		
Balance at 1 July	**16,235,257**	15,631,750
Effect of movements in foreign exchange rates	**831,271**	603,507
Balance at 30 June	**17,066,528**	16,235,257
Amortisation and Impairment Losses		
Balance at 1 July	**10,070,002**	9,704,462
Amortisation charge for the year	**1,931**	3,263
Effect of movements in foreign exchange rates	**499,005**	362,277
Balance at 30 June	**10,570,938**	10,070,002
Carrying Amounts		
At 1 July	**6,165,255**	5,927,288
At 30 June	**6,495,590**	6,165,255

Cambay Field Development Assets

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, extension of the Cambay Production Sharing Contract and the status of the disputes arising from the issue of the event of default notice to GSPC. No indicators of impairment were identified in the 2019 or 2018 financial years.

There was no impairment on the Cambay Field development assets during the year ended 30 June 2019 (2018: Nil).

Accounting Policy

Development expenditure includes past exploration and evaluation costs, pre-production development costs, development drilling, development studies and other subsurface expenditure pertaining to that area of interest. Costs related to surface plant and equipment and any associated land and buildings are accounted for as property, plant and equipment.

The definition of an area of interest for development expenditure is narrowed from the exploration permit for exploration and evaluation expenditure to the individual geological area where the presence of an oil or natural gas field exists, and in most cases will comprise an individual oil or gas field.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, carried forward development costs are amortised on a units of production basis over the life of economically recoverable reserves.

Impairment of Development Assets

The carrying value of development assets are assessed on a cash generating unit (CGU) basis 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.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. The CGU is the Cambay Field, India. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell (FVLCS). As a market price is not available, FVLCS is determined by using a discounted cash flow approach. In assessing FVLCS, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Valuation principals that apply when determining FVLCS are that future events that would affect expected cash flows are included in the calculation of FVLCS.

Impairment losses are reversed when there is an indication that the loss has decreased or no longer exists and there has been a change in the estimate used to determine the recoverable amount. Such estimates include beneficial changes in reserves and future costs, or material increases in selling prices. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8 – DEVELOPMENT ASSETS (CONTINUED)

Key Estimates and Assumptions

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, the expected life of the relevant area of interest, long-term oil and gas prices, currency exchange rates, pre-tax discount rates, number of future wells, production profiles and operating costs.

An adverse change in one or more of the assumptions used to estimate FVLCS could result in an adjustment to the development asset's recoverable amount.

Development costs are amortised on a units of production basis over the life of economically recoverable reserves, so as to write off costs in proportion to the depletion of the estimated reserves. The estimation of reserves requires interpretation of geological and geophysical data. The geological and economic factors which form the basis of reserve estimates may change over reporting periods. There are a number of uncertainties in estimating resources and reserves, and these estimates and assumptions may change as new information becomes available.

NOTE 9 – INVENTORIES

	2019 $	2018 $
Oil on hand - net realisable value	**31,632**	94,096
Drilling inventory - net realisable value	**1,109,678**	1,209,149
	1,141,310	1,303,245

Inventories have been reduced by $161,354 (2018: $nil) as a result of write-down to net realisable value.

Accounting Policy

Inventories comprising materials and consumables and petroleum products are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

NOTE 10 – PROVISIONS

	2019 $	2018 $
Site Restoration, Well Abandonment and Other Provisions		
Balance at 1 July	**4,354,675**	4,184,269
Provision adjustments during the year - Termination (refer note 26)	**-**	-
Effect of movements in exchange rates	**234,716**	170,406
Balance at 30 June	**4,589,391**	4,354,675
Current – Termination (refer Note 26)	**855,554**	811,798
Non-current - Restoration	**3,733,837**	3,542,877
	4,589,391	4,354,675
Current - Employee benefits	**148,731**	274,651

Accounting Policy

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation.

Provisions are made for site rehabilitation of an oil and gas field on an incremental basis during the life of the field (which includes the field plant closure phase). Provisions include reclamation, plant closure, waste site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. At each reporting date the rehabilitation provision is re-measured to reflect any changes in the timing or amounts of the costs to be incurred. Any such changes are dealt with on a prospective basis.

Short-term employee benefits for wages, salaries and fringe benefits are measured on an undiscounted basis and expensed as the related service is provided. A liability is recognised based on remuneration wage and salary rates that the Group expects to pay as at the reporting date as a result of past service provided by the employee, if the obligation can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service up to the reporting date. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates; and is discounted using the high quality corporate bond rate at reporting date which have maturity dates approximating to the terms of the Group's obligations.

Key Estimates and Assumptions

In relation to rehabilitation provisions the Group estimates the future removal costs of onshore oil and gas production facilities, wells and pipeline at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and discount rates to determine the present value of these cash flows.

NOTE 11 – CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank and on hand	357,970	375,507

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

Accounting Policy

Cash and cash equivalents comprise bank balances, call deposits, cash in transit and short-term deposits with an original maturity of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Reconciliation of Cash Flows from Operating Activities

	2019 $	2018 $
Net loss	**(3,118,121)**	(4,230,977)
Amortisation of development assets	**1,931**	3,263
Depreciation	**32,763**	43,002
Interest expense	**72,695**	-
Provision for doubtful debts expense	**108,206**	1,297,488
Loss on disposal of assets	**8,227**	3,803
Profit on disposal of scrap	**-**	(13,139)
Equity settled share-based payments	**110,935**	90,211
Unrealised foreign exchange (gain)/loss	**(46,688)**	(39,134)
Operating Loss Before Changes in Working Capital and Provisions	**(2,830,052)**	(2,845,483)
Movement in trade and other payables	**(82,065)**	(480,924)
Movement in prepayments	**(41,193)**	13,278
Movement in trade and other receivables	**(45,269)**	(570,406)
Movement in provisions	**-**	(1,034)
Movement in inventories	**161,936**	(115,135)
Movement in employee benefits	**(125,920)**	45,933
Net Cash Used in Operating Activities	**(2,962,563)**	(3,953,771)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12 – TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
Current		
Allocation of receivables		
Joint venture receivables	**353,492**	446,600
Other receivables	**144,482**	292,184
	497,974	738,784
Joint venture receivables		
Joint venture receivables	**6,272,808**	5,835,042
Provision for doubtful debts	**(5,919,316)**	(5,388,442)
	353,492	446,600
Other receivables		
Corporate receivables	**288,040**	401,445
Provision for doubtful debts	**(143,558)**	(109,261)
	144,482	292,184

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

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 amounts owing and default or delinquency in payment (more than one year old). Whilst the Group has been in ongoing discussions with its joint venture partner GSPC, for repayment of disputed and other amounts owing, in line with identified impairment indicators, an assessment has been made of the recoverable balance as at 30 June 2019. Each receivable has been assessed individually for recovery, and those deemed to have a low chance of recovery have been fully provided for in the current year. Accordingly, the Indian cash calls receivable have been fully provided for.

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

The carrying value of trade and other receivables approximates its fair value due to the assessment of recoverability.

Details of the Group's credit risk are disclosed in note 21(b).

	2019 $	2018 $
Movement in provision for doubtful debts		
Balance at 1 July	**(5,497,703)**	(4,055,327)
Provisions (made)/reversed during the year	**(108,206)**	(1,233,898)
Provision adjustment, as at 1 July 2018, on adoption of AASB 9	**(177,874)**	-
Effect of movements in exchange rates	**(279,091)**	(208,478)
Balance at 30 June	**(6,062,874)**	(5,497,703)
Allocation of impairment loss		
Joint venture receivables	**(5,919,316)**	(5,388,442)
Other receivables	**(143,558)**	(109,261)
	(6,062,874)	(5,497,703)

(a) Accounting Policy from 1 July 2018

Trade and other receivables, which includes receivables, loans and deposits, are initially recognised when they are originated. All other financial assets are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

All trade and other receivables do not include a significant financing component and are therefore initially measured at the transaction price.

On initial recognition, trade and other receivables are classified as measured as at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at Fair Value Through Profit or Loss (FVTPL):

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular amount of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs).

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire , or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of Receivables

The Group recognises loss allowances for 'expected credit loss' (ECL's) on financial assets measured at amortised cost. Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECL's.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL's, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days due past.

Lifetime ECL's are the ECL's that result from all possible default events over the expected life of a financial instrument.

Measurement of ECL's

ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

Expected credit loss assessment for corporate customers as at 1 July 2018 and 30 June 2019

The Group uses its allowance schedule to measure the ECLs of trade and other receivables. The allowance schedule is based on actual credit loss experience over the past years. The ECL computed is purely derived from historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(b) Accounting Policy prior to 1 July 2018

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including assets designated at FVTPL) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value and subsequently measured at amortised cost, less any impairment losses.

A provision for doubtful debts is recognised in profit or loss when there is objective evidence of non-recovery or an impairment indicator exists. If receivables are subsequently recovered, or an event causes the amount of impairment loss to decrease, the amounts are reversed through profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12 – TRADE AND OTHER RECEIVABLES (CONTINUED)

Impairment of Receivables

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. 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 amounts owing and default or delinquency in payment (more than one year old).

Key Estimates and Assumptions

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. This requires judgemental assumptions regarding recoverability. Changes in these assumptions impact the recoverable amount of the asset.

NOTE 13 – TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade creditors	**302,338**	297,640
Accruals	**394,846**	481,609
	697,184	779,249

The Company's assessment in note 12, of the recoverability of outstanding cash call amounts owing from its joint venture partner GSPC has resulted in an additional impairment and consequently the Company is of the opinion that the Cambay 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 an additional $76,116 at 30 June 2019 (2018: $107,267) to cover Cambay and Bhandut Joint Venture third party liabilities.

The carrying value of trade and other payables is considered to approximate its fair value due to the short nature of these financial liabilities.

Accounting Policy

Trade and other payables are recorded at the value of the invoices received and subsequently measured at amortised cost and are non-interest bearing. The liabilities are for goods and services provided before year end, that are unpaid and arise when the Group has an obligation to make future payments in respect of these goods and services. The amounts are unsecured. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTE 14 – BORROWINGS

	2019	2018
Unsecured Loans	**563,955**	-
	563,955	-

Terms and repayment schedule

At 30 June 2019, the terms and conditions of outstanding loans are as follows:

				2019 $		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**	**563,955**	–	-

At balance date, options had been issued to the lenders in connection to the above loans, as follows:

a) 91,666,666 share options @ $0.0036 exercisable on or before the applicable loan maturity date of 26 July 2019; and

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

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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 Loans Options Reserve as the loans have been treated as a convertible note. That is, the borrowing arrangement falls within the definition of a compound financial instrument and as such as been classified as both a financial liability and equity.

On 23 July 2019, the Group entered into an amendment agreement to vary the terms of its loan funding facility of $330,000 entered into on 26 July 2018. Pursuant to the amendment, the loan repayment date has been extended from 26 July 2019 to 1 October 2019. In addition, the Company will issue 124,060,150 new options to the lenders at an exercise price of $0.00266 and expiry date of 31 December 2019, which were subject to shareholder approval at a General Meeting to be held on 12 September 2019, which was duly forthcoming. All other loan terms and conditions remain the same; and are extended to 1 October 2019.

The total 91,666,666 share options @ $0.0036 exercisable on or before 26 July 2019, attached to the above-mentioned loans, were not exercised and have lapsed.

The above-mentioned 124,060,150 options were subsequently issued on 27 September 2019.

On 30 September 2019, the Company entered into an amendment agreement to vary the terns of its loan funding facility of $300,000 entered into on 26 July 2018; and the subsequent amendment noted above. Pursuant to the amendment, the loan repayment date has been extended to 15 October 2019.

Furthermore, the Company also entered into an amendment agreement to vary the terms of its loan funding facility of $250,000 entered into on 11 September 2018. Pursuant to the amendment, the loan repayment date has been extended from 1 October 2019 to 1 April 2020. Pursuant to the extension, the Company will issue 60,664,887 options at $0.004121 on or before 1 April 2020.

The loans are subject to the following key undertakings without prior approval by the lenders:

» Not to dispose of assets having an aggregate value of more than $1 million;

» Not to incur any financial indebtedness more than $50,000; and

» Not to incur any aggregate payment or outgoing exceeding $1m (except for employee benefit expenses).

Accounting Policy

(a) General

All borrowings are initially recognised when the Group becomes a party to the contractual provisions of the lending instrument. All borrowings are initially recognised at fair value less transaction costs. Borrowings are subsequently carried at amortised cost.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(b) Series A and Series B Loan

The liability component of loans are 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 loan as a whole and the fair value of the liability component. Subsequent to initial recognition, the liability component of the loan is measured at amortised cost using the effective interest method. The equity component of a loan is not remeasured. Interest related to the financial liability is recognised in profit or loss.

NOTE 15 – EXPENDITURE COMMITMENTS

Exploration Expenditure Commitments

In order to maintain rights of tenure to exploration permits, the Group is required to perform 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 $nil (2018: $nil).

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 existing exploration leases.

Capital Expenditure Commitments

The Group had no capital commitments as at 30 June 2019 (2018: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 – PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles $	Plant and Equipment $	Office Furniture $	Total $
Cost				
Balance at 1 July 2017	9,398	893,309	145,932	1,048,639
Disposals	-	(23,339)	(4,565)	(27,904)
Currency translation differences	383	18,151	3,009	21,543
Balance at 30 June 2018	**9,781**	**888,121**	**144,376**	**1,042,278**
Additions	-	-	2,149	2,149
Disposals	-	(681)	(13,841)	(14,522)
Currency translation differences	527	24,998	4,146	29,671
Balance at 30 June 2019	**10,308**	**912,438**	**136,830**	**1,059,576**
Depreciation and Impairment Losses				
Balance at 1 July 2017	8,896	712,811	105,978	827,685
Depreciation charge for the year	132	38,244	4,626	43,002
Disposals	-	(21,025)	(3,076)	(24,101)
Currency translation differences	369	13,749	2,644	16,762
Balance at 30 June 2018	**9,397**	**743,779**	**110,172**	**863,348**
Depreciation charge for the year	108	28,682	3,973	32,763
Disposals	-	(655)	(5,068)	(5,723)
Currency translation differences	508	19,095	3,658	23,261
Balance at 30 June 2019	**10,013**	**790,901**	**112,735**	**913,649**
Carrying amounts				
At 1 July 2018	384	144,342	34,204	178,930
At 30 June 2019	**295**	**121,537**	**24,095**	**145,927**

Accounting Policy

Property, plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of overheads.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net in the consolidated statement of profit or loss and other comprehensive income.

Depreciation is calculated using the reducing balance or straight line method over the estimated useful life of the assets, with the exception of software which is depreciated at prime cost. The estimated useful lives in the current and comparative periods are as follows:

- » Motor vehicles 4 to 7 years
- » Plant and equipment 2 to 7 years
- » Office furniture 2 to 10 years

Depreciation methods, useful lives and residual values are reviewed and adjusted if appropriate, at each financial year end.

Impairment of Property, Plant and Equipment

The carrying value of assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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EQUITY, GROUP STRUCTURE AND RISK MANAGEMENT

This section addresses the Group's capital structure, the Group structure and related party transactions, as well as including information on how the Group manages the various financial risks.

NOTE 17 – ISSUED CAPITAL AND RESERVES

The reconciliation of the movement in capital and reserves for the consolidated entity can be found in the consolidated statement of changes in equity.

(a) Issued Capital

Ordinary Shares	**2019 Number of Ordinary Shares**	**2019 $ Issued Capital**	2018 Number of Ordinary Shares	2018 $ Issued Capital
On issue at 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)	**458,793,303**	**2,126,049**	282,894,737	1,100,000
Shares issued for non-cash (2) (4) (7) (8)	**26,365,320**	**110,936**	23,048,521	90,211
Exercise of unlisted options (3) (5)	**100,190,999**	**395,367**	11,722,222	43,146
Capital raising costs	**-**	**(176,188)**	-	(53,800)
Balance at 30 June - fully paid	**2,587,318,001**	**176,502,200**	2,001,968,379	174,046,036

Refer notes following for additional information and note 22 for details of unlisted options.

The shares issued in lieu of non-executive director income were approved by shareholders at the Annual General Meeting (AGM) held on 29 November 2017 for the period from 1 November 2017 to 31 October 2018; and the AGM held on 29 November 2018 for the period from 1 November 2018 to 1 October 2019. The shares were issued at a price based upon the Volume Weighted Average Price (VWAP) for the 10 trading days prior to the date of issue for the period from 1 July 2018 to 31 October 2018; and the 10-Day VWAP up to the applicable quarter end for the period from 1 November to 30 June 2019.

In accordance with the ASX waiver granted on 17 October 2018, the Company advised that the number of remuneration shares that were issued to directors totalled to 11,437,407 for the year ended 30 June 2019, which was equivalent to 0.44% of the Company's issued capital as at 30 June 2019.

Additional information of the issue of ordinary shares and unlisted options:

1) Pursuant to a debt and equity capital raise announcement dated 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 per ordinary share; and
   - 3,467,070 shares in lieu of non-executive director remuneration at an issue price of $0.004 per ordinary share.

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;
   - 9,473,684 options @ £0.0019 per share; and
   - 15,772,871 options @ A$0.004121 per share.

4) On 29 November 2018, the Company issued 1,724,904 shares in lieu of non-executive director remuneration at an issue price of $0.008 per ordinary share.

5) On 5 December 2018, the Company issued 10,0000 shares upon the exercise of 10,000,000 options @ £0.00225 per ordinary 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) per ordinary share:
   - 55,555,555 shares were issued on 21 December 2018;
   - 39,583,333 shares were issued on 2 January 2019;
   - 71,527,778 shares were issued on 4 January 2019; and
   - 13,888,889 shares were issued on 16 January 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 17 – ISSUED CAPITAL AND RESERVES (CONTINUED)

7) On 1 April 2019:

- the Company issued 1,760,000 shares as consideration for consulting services at an issue price of $A0.005 per ordinary share; and
- the Company issued 2,772,864 shares in lieu of non-executive director income at an issue price of $0.005 per ordinary share.

8) On 18 June 2019:

- the Company issued 2,324,569 shares as consideration for consulting services at an issue price of $A0.004 per ordinary share; and
- the Company issued 3,472,569 shares in lieu of non-executive director income at an issue price of $0.004 per ordinary share.

The Company does not have authorised capital or par value in respect of its issued shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Accounting Policy

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(b) Reserves

	2019 $	2018 $
Foreign Currency Translation Reserve	**7,376,163**	7,296,212
Option Reserve	**36,485**	331,889
Loans Option Reserve	**88,740**	-
	7,501,388	7,628,101

Foreign Currency Translation Reserve (FCTR)

The foreign currency translation reserve is comprised of all foreign currency differences arising from the translation of the financial statements of foreign operations from their functional currency to Australian dollars.

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR. When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented within equity in the FCTR.

Option Reserve

The option reserve recognises the fair value of options issued but not exercised. Upon the exercise, lapsing or expiry of options, the balance of the option reserve relating to those options is transferred to accumulated losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 18 – CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership Interest % 2019	Ownership Interest % 2018
Parent Entity			
Oilex Ltd	Australia		
Subsidiaries			
Independence Oil and Gas Limited	Australia	**100**	100
Admiral Oil and Gas Holdings Pty Ltd	Australia	**100**	100
Admiral Oil and Gas (106) Pty Ltd	Australia	**100**	100
Admiral Oil and Gas (107) Pty Ltd	Australia	**100**	100
Admiral Oil Pty Ltd	Australia	**100**	100
Oilex (JPDA 06-103) Ltd	Australia	**100**	100
Merlion Energy Resources Private Limited	India	**100**	100
Oilex N.L. Holdings (India) Limited	Cyprus	**100**	100
Oilex (West Kampar) Limited [(1)]	Cyprus	**100**	100

(1) The Group is currently engaging with the Indonesian regulators with a view to returning its interest in West Kampar. It is intended to liquidate the Company as soon as arrangements can be made.

Accounting Policy

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

NOTE 19 – JOINT ARRANGEMENTS

The Group's interests in joint arrangements as at 30 June 2019 are detailed below. Principal activities are oil and gas exploration, evaluation, development and production.

(a) Joint Operations Interest

Permit		2019 %	2018 %
OFFSHORE			
JPDA 06-103 [(1)]	Timor Leste and Australia (JPDA)	**10.0**	10.0
ONSHORE			
Cambay Field	India (Cambay Basin)	**45.0**	45.0
Bhandut Field	India (Cambay Basin)	**40.0**	40.0
Sabarmati Field [(2)]	India (Cambay Basin)	**40.0**	40.0
West Kampar Block [(3)]	Indonesia (Central Sumatra)	**67.5**	67.5

(1) The JPDA 06-103 Production Sharing Contract was terminated on 15 July 2015. The Joint Operating Agreement between the Joint Venture participants is still in effect.

(2) The Sabarmati Production Sharing Contract was cancelled on 10 August 2016. The Joint Operating Agreement between the Joint Venture participants is still in effect.

(3) Oilex (West Kampar) Limited is entitled to have assigned an additional 22.5% to its holding of 45% through exercise of its rights under a Power of Attorney granted by PT Sumatera Persada Energi (SPE), following the failure by SPE to repay funds due. The assignment request had been provided to BPMigas (now SKK Migas), the Indonesian Government regulator, and had not been approved or rejected. The West Kampar Contract Area Production Sharing Contract was terminated on 15 August 2018. The Group is currently engaging with the Indonesian regulators with a view to returning its interest in West Kampar. It is intended to liquidate the Company as soon as arrangements can be made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 19 – JOINT ARRANGEMENTS (CONTINUED)

(b) Joint Operations

The aggregate of the Group's interests in all joint operations is as follows:

	2019 $	2018 $
Current assets		
Cash and cash equivalents	**81,872**	12,510
Trade and other receivables [(1)]	**1,907,808**	1,846,349
Inventories	**1,054,795**	1,209,149
Prepayments	**36,286**	36,699
Total current assets	**3,080,761**	3,104,707
Non-current assets		
Exploration and evaluation	**568,887**	539,792
Development assets	**6,495,591**	6,165,255
Property, plant and equipment	**111,877**	127,145
Total non-current assets	**7,176,355**	6,832,192
Total assets	**10,257,116**	9,936,899
Current liabilities		
Trade and other payables	**(137,094)**	(193,534)
Total liabilities	**(137,094)**	(193,534)
Net assets	**10,120,022**	9,743,365

(1) Trade and other receivables of the joint operations is before any impairment and provisions.

(c) Joint Operations Commitments

In order to maintain the rights of tenure to exploration permits, the Group is required to perform 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 Group's has no exploration expenditure commitments attributable to joint operations during the year (2018: $nil).

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

Accounting Policy

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangements which exists only when decisions about the relevant activities required unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Group recognises its:

» Assets, including its share of any assets held jointly;
» Liabilities, including its share of any liabilities incurred jointly;
» Revenue from the sale of its share of the output arising from the joint operation;
» Share of revenue from the sale of the output by the joint operation; and
» Expenses, including its share of any expenses incurred jointly.

The Group's interest in unincorporated entities are classified as joint operations.

Joint Ventures provides the Group a right to the net assets of the venture and are accounted for using the equity method. The Group currently has no joint venture arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 20 – RELATED PARTIES

Identity of Related Parties

The Group has a related party relationship with its subsidiaries (refer note 18), joint operations (refer note 19) and with its key management personnel.

Key Management Personnel

The following were key management personnel of the Group at any time during the financial year and unless otherwise indicated were key management personnel for the entire period:

Non-Executive Directors	Position
Brad Lingo	Non-Executive Chairman
Paul Haywood	Non-Executive Director

Executive Director	Position
Joe Salomon	Managing Director

Executives	Position
Mark Bolton	Chief Financial Officer and Company Secretary
Ashish Khare	Head - India Assets

Key Management Personnel Compensation

Key management personnel compensation comprised the following:

	2019 $	2018 $
Short-term employee benefits	**615,475**	677,224
Other long-term benefits	**40,542**	36,805
Non-monetary benefits	**21,252**	15,192
Post-employment benefits	**59,668**	63,920
Equity compensation benefits – shares issued in lieu of salary	**55,454**	40,228
	792,391	833,369

Individual Directors' and Executives' Compensation Disclosures

Information regarding individual Directors' and Executives' compensation is provided in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in this note, or in the Remuneration Report, no Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

Key Management Personnel Transactions with the Company or its Controlled Entities

There were no transactions in the current year between the Group and entities controlled by key management personnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21 – FINANCIAL INSTRUMENTS

The effect of initially applying AASB 9 on the group's financial instruments is described in Note 2(h).

(a) Financial Risk Management

The Group has exposure to the following risks arising from financial instruments.

i) Credit Risk
ii) Liquidity Risk
iii) Market Risk

This note presents qualitative and quantitative information in relation to the Group's exposure to each of the above risks and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and the development and monitoring of risk management policies. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations; and arises principally from the Group's receivables from customers and joint ventures.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset. The maximum exposure to credit risk at the reporting date was:

	2019 $	2018 $
Cash and cash equivalents	**357,970**	375,507
Trade and other receivables - current	**497,974**	738,784
	855,944	1,114,291

The Group's cash and cash equivalents are held with major banks and financial institutions.

The Group's gross share of outstanding cash calls and recharges owing from joint venture partners and joint operations is $6,129,333 (2018: $5,768,614).

The Group's most significant customers are Enertech Fuel Solutions Pvt Limited (Enertech) with gas sales representing 39% of the Group's total revenues (2018: 61%) and Indian Oil Corporation Limited, in its capacity as nominee of the Government of India, with oil sales representing 61% of the Group's total revenues (2018: 39%). Enertech accounts for $nil of trade receivables as at June 2019 (2018: $5,841), whilst the Indian Oil Corporation Limited accounts for $nil of trade receivables (2018: $66,439).

Impairment Losses

The aging of the trade and other receivables at the reporting date was:

	2019 $	2018 $
Consolidated Gross		
Not past due	**189,941**	294,709
Past due 0-30 days	**111,566**	73,246
Past due 31-120 days	**202,591**	278,346
Past due 121 days to one year	**524,518**	449,771
More than one year	**5,532,232**	5,140,415
	6,560,848	6,236,487
Provision for doubtful debts	**(6,062,874)**	(5,497,703)
Trade and other receivables net of provision	**497,974**	738,784

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Receivable balances are monitored on an ongoing basis. The Group may at times have a high credit risk exposure to its joint venture partners arising from outstanding cash calls.

The Group considers an allowance for expected credit losses (ECL's) for all debt instruments. The Group applies a simplified approach in calculating ECL's. The Group bases its ECL assessment on its historical credit loss experience, adjusted for factors specific to the debtors and the economic environment including, but not limited to, financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and delinquency in payments.

The Group has been in discussions with its joint venture partner for repayment of disputed and other amounts owing. The Group is continuing discussions in order to resolve the outstanding issues and recover payment of the outstanding amounts, however due to the age of the receivables amounts, is uncertain of the timing or of full recovery.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity by monitoring present cash flows and ensuring that adequate cash reserves, financing facilities and equity raisings are undertaken to ensure that the Group can meet its obligations.

The table below analyses the Group's financial liabilities by relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

			Contractual Cash Flows			
	Carrying Amount $	Face Value $	Total $	2 months or less $	2 – 12 months $	Greater than 1 year $
2019						
Trade and other payables	**697,184**	**697,184**	**697,184**	**697,184**	**-**	**-**
Borrowings	**563,955**	**580,000**	**580,000**	**-**	**580,000**	**-**
Total financial liabilities	**1,261,139**	**1,277,184**	**1,277,184**	**697,184**	**580,000**	**-**
2018						
Trade and other payables	779,249	779,249	779,249	779,249	-	-
Total financial liabilities	779,249	779,249	779,249	779,249	-	-

Subsequent Events

On 23 July 2019, the Group entered into an amendment agreement to vary the terms of its loan funding facility of $330,000 entered into on 26 July 2018. Pursuant to the amendment, the loan repayment date has been extended from 26 July 2019 to 1 October 2019.

On 30 September 2019, the Company entered into an amendment agreement to vary the terms of its loan funding facility of $300,000 entered into on 26 July 2018; and the subsequent amendment noted above. Pursuant to the amendment, the loan repayment date has been extended to 15 October 2019.

Furthermore, the Company also entered into an amendment agreement to vary the terms of its loan funding facility of $250,000 entered into on 11 September 2018. Pursuant to the amendment, the loan repayment date has been extended from 1 October 2019 to 1 April 2020. Pursuant to the extension, the Company will issue 60,664,887 options at $0.004121 on or before 1 April 2020.

(d) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

i) Currency risk

An entity is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the entity. The currencies giving rise to this risk are the United States dollar (USD), Indian rupee (INR) and British pound (GBP).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21 – FINANCIAL INSTRUMENTS (CONTINUED)

The amounts in the table below represent the Australian dollar equivalent of balances in the Oilex Group Entities that are held in a currency other than the functional currency in which they are measured in that Group Entity. The exposure to currency risk at balance date was as follows:

	2019			2018		
In equivalents of Australian dollar	**USD $**	**INR $**	**GBP $**	USD $	INR $	GBP $
Cash and cash equivalents	**20,095**	**139,811**	**24,467**	136,584	30,392	15,928
Trade and other receivables [1]	**229,196**	**3,219,109**	**-**	110,799	3,053,753	-
Trade and other payables	**(3,978)**	**(312,161)**	**(4,665)**	(3,958)	(188,863)	(13,176)
Net balance sheet exposure	**245,313**	**3,046,759**	**19,802**	243,425	2,895,282	2,752

[1] Trade and other receivables of the joint operation is before any impairment and provisions.

The following significant exchange rates applied during the year:

	Average Rate		Reporting Date Spot Rate	
AUD	**2019**	2018	**2019**	2018
USD	**0.7156**	0.7753	**0.7013**	0.7391
INR	**50.5060**	50.4574	**48.4100**	50.7392
GBP	**0.5527**	0.5762	**0.5535**	0.5634

Foreign Currency Sensitivity

A 10% strengthening/weakening of the Australian dollar against the following currencies at 30 June would have (increased)/ decreased the loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

	2019 $	2018 $
10% Strengthening		
United States dollars (USD)	**24,351**	27,047
Indian rupees (INR)	**304,676**	321,698
British pounds (GBP)	**1,980**	306
10% Weakening		
United States dollars (USD)	**(24,351)**	(22,129)
Indian rupees (INR)	**(304,676)**	(263,207)
British pounds (GBP)	**(1,980)**	(250)

ii) Interest rate risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying Amount	
	2019 **$**	2018 $
Fixed Rate Instruments		
Financial assets (short-term deposits included in trade receivables)	**100,000**	149,004
Financial liabilities (borrowings)	**(563,955)**	-
Variable Rate Instruments		
Financial assets (cash and cash equivalents)	**357,970**	375,507

Cash Flow Sensitivity Analysis for Variable Rate Instruments

An increase of 100 basis points in interest rates at the reporting date would have decreased the loss by the amounts shown below. A decrease of 100 basis points in interest rates at the reporting date would have had the opposite impact by the same amount. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

	2019 **$**	2018 $
Impact on profit or loss	**3,580**	3,755

iii) Other market price risks

At 30 June 2019, the Group had no financial instruments with exposure to other price risks (2018: $nil).

Equity Price Sensitivity

At 30 June 2019, the Group had no exposure to equity price sensitivity (2018: $nil).

(e) Capital Risk Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and accumulated losses as disclosed in the consolidated statement of changes in equity.

(f) Fair Values of Financial Assets and Liabilities

The net fair values of financial assets and liabilities of the Group approximate their carrying values. The Group has no off-balance sheet financial instruments and no amounts are offset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

OTHER DISCLOSURES

This section provides information on items which are required to be disclosed to comply with Australian Accounting Standards, other regulatory pronouncements and the *Corporations Act 2001*.

NOTE 22 – SHARE-BASED PAYMENTS

Share-based Payments Expense Shares

The following equity settled share-based payment transactions have been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	2019 $	2018 $
Shares and rights - equity settled		
Non-Executive Directors – remuneration shares [1]	**55,422**	27,653
Technical and administrative contractors	**55,513**	62,558
Total share-based payments expense	**110,935**	90,211

(1) At the Annual General Meeting held on 29 November 2017, the shareholders of the Company approved the issue of shares in lieu of cash for part of the remuneration for the Non-Executive Directors. The Directors have also agreed to receive part of their Directors fees in the form of the Company's shares in lieu of cash payments for the period from 1 November 2017 to 31 October 2018, in order to conserve the cash reserves of the Company. Similar shareholder approval was also received at the Annual General Meeting held on 29 November 2018 for the period from 1 November 2018 to 31 October 2019.

In accordance with the ASX waiver granted 17 October 2018, the Company advised that the number of remuneration shares that were issued to directors for the year ended 30 June 2019 totalled 11,437,407 (2018 5,530,644) and the percentage of the Company's issued capital represented by these remuneration shares was 0.44% (2018 0.28%).

As at 30 June 2019, the accrued non-executive director fees, being remuneration shares not yet issued totalled $12,607 (2018: $12,575).

Unlisted Options

At 30 June 2019, the terms and conditions of unlisted options granted by the Company to directors, employees, financiers and advisors are as follows, whereby all options are settled by physical delivery of shares:

Grant Date	Number of Instruments	Vesting Conditions	Contractual Life of Options
Key Management Personnel			
Nil			
Other Employees			
Nil			
Financiers and Advisors			
22 May 2017	2,222,222	Upon granting	3 years
17 September 2018	91,666,666	Upon granting	45 weeks
29 November 2018	60,664,887	Upon granting	44 weeks
19 December 2018	6,666,667	Upon granting	2 years
Total Options	**161,220,442**		

Subsequent to reporting date, no options have been exercised; however the 91,666,666 options have lapsed – for further information refer to Note 27 a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

Accounting Policy

Options allow directors, employees and advisors to acquire shares of the Company. The fair value of options granted to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes Model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Options may also be provided as part of consideration for services by brokers and underwriters. Any unlisted options issued to the Company's AIM broker are treated as a capital raising cost.

When the Group grants options over its shares to employees of subsidiaries, the fair value at grant date is recognised as an increase in the investments in subsidiaries, with a corresponding increase in equity over the vesting period of the grant.

The number and weighted average exercise prices (WAEP) of unlisted share options are as follows:

	WAEP 2019	Number 2019	WAEP 2018	Number 2018
Outstanding at 1 July	**$0.005**	**77,441,666**	$0.009	286,974,273
Lapsed during the year	**$0.35**	**(275,000)**	$0.011	(197,810,385)
Exercised during the year	**$0.004**	**(100,190,999)**	$0.004	(11,722,222)
Granted during the year				
- Granted to Brokers and Financial Advisers [(1)]	**$0.005**	**16,140,351**	-	-
- Series A Loan Options [(3)]	**$0.004**	**91,666,666**	-	-
- Series B Loan Options [(2) (3)]	**$0.004**	**76,437,758**	-	-
Outstanding at 30 June	**$0.004**	**161,220,442**	$0.005	77,441,666
Exercisable at 30 June	**$0.004**	**161,220,442**	$0.005	77,441,666

The unlisted options outstanding at 30 June 2019 have an exercise price in the range of $0.004 to $0.006 (2018: $0.004 to $0.35) and a weighted average remaining contractual life of 0.2 years (2018: 1.90 years).

The fair value of unlisted options is calculated at the date of grant using the Black-Scholes Model. Expected volatility is estimated by considering historical volatility of the Company's share price over the period commensurate with the expected term.

(1) The following factors and assumptions were used to determine the fair value of 16,140,351 options issued to brokers and financial advisors during the year.

2019 Grant Date	Vesting Date	Expiry Date	Fair Value Per Option	Exercise Price	Price of Shares on Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield
19 Sept 2018	19 Sept 2018	17 Sept 2020	$0.003	$0.004	$0.004	104.78%	1.50%	-
19 Dec 2018	19 Dec 2018	24 Dec 2020	$0.004	$0.006	$0.006	142.57%	1.50%	-

(2) 15,772,871 Series B loan options were exercised during the period

(3) The fair value equity component of the 91,666,666 Series A Loan options and 76,437,758 Series B Loan options has been determined using an implied effective interest rate of 18% pa (effective interest rate on a similar borrowing without an equity component); and is $50,490 and $48,195, respectively. At loan drawdown, this amount has been recognised in the Loan Option Reserve as the loans have been treated as convertible notes.

For further information refer to Note 14: Borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 23 – PARENT ENTITY DISCLOSURE

As at, and throughout, the financial year ended 30 June 2019 the parent entity of the Group was Oilex Ltd.

	2019 $	2018 $
Result of the parent entity		
Loss for the year	**(3,382,300)**	(4,758,767)
Other comprehensive income/(loss)	**143,085**	(110,414)
Total comprehensive loss for the year	**(3,239,215)**	(4,869,181)
Financial position of the parent entity at year end		
Current assets	**1,164,081**	1,545,758
Total assets	**5,995,034**	6,162,360
Current liabilities	**1,160,603**	596,118
Total liabilities	**3,361,943**	2,684,874
Net assets	**2,633,091**	3,477,486
Total equity of the parent entity comprising of:		
Issued capital	**176,502,200**	174,046,036
Option reserve	**36,485**	331,889
Loans Options Reserve	**88,740**	-
Foreign currency translation reserve	**5,052,168**	4,909,084
Accumulated losses	**(179,046,502)**	(175,809,523)
Total equity	**2,633,091**	3,477,486

Parent Entity Contingencies

The Directors are of the opinion that provisions are not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Oilex Ltd has issued a guarantee in relation to corporate credit cards. The bank guarantee amounts to $100,000. An equal amount is held in cash and cash equivalents as security by the bank. (2018: $149,004 in relation to the lease of corporate offices and the corporate credit cards).

Parent entity capital commitments for acquisition of property plant and equipment

Oilex Ltd had no capital commitments as at 30 June 2019 (2018: Nil).

Parent entity guarantee (in respect of debts of its subsidiaries)

On 7 November 2006, Oilex Ltd issued a Deed of Parent Company Performance Guarantee in relation to the Production Sharing Contract entered into with the Timor Sea Designated Authority dated 15 November 2006. Refer note 26.

Oilex Ltd has issued no other guarantees in respect of debts of its subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 24 – AUDITORS' REMUNERATION

	2019 $	2018 $
Audit and review services		
Auditors of the Company – KPMG		
Audit and review of financial reports (KPMG Australia)	**81,400**	82,000
Audit of Joint Operations operated by Oilex Ltd		
Operator proportion only (KPMG Australia)	**414**	419
Audit and review of financial reports (KPMG related practices)	**20,656**	16,252
	102,470	98,671
Other Auditors		
Audit and review of financial reports (India Statutory)	**5,972**	5,543
	108,442	104,214
Other services		
Auditors of the Company – KPMG		
Taxation compliance services (KPMG Australia)	**13,213**	11,723
Taxation compliance services (KPMG related practices)	**6,987**	6,449
	20,200	18,172
Other Auditors		
Taxation compliance services (India Statutory)	**5,255**	7,094
	25,455	25,266

NOTE 25 – OPERATING LEASES

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 $	2018 $
Within one year	**27,211**	86,738
One year or later and no later than five years	**-**	4,711
	27,211	91,449

The Group leases its head office premises at Level 2, 11 Lucknow Place West Perth, Australia. The lease commenced on 1 June 2019 for a six-month period; with expiry on 30 November 2019. Thereafter, the Group has the option of a month by month lease extension subject to lessor approval.

The Group leases office premises in Gandhinagar (India) under an operating lease. The current lease has a three year term, commencing 16 October 2016.

	2019 $	2018 $
Operating lease rentals expensed during the financial year	**102,788**	130,981

Accounting Policy

Operating leases payments are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense and are allocated over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 26 – PROVISIONS AND CONTINGENT LIABILITIES

Contingent Liabilities at Reporting Date

The Directors are of the opinion that provisions (except as noted below) are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Guarantees

Oilex Ltd has issued guarantees in relation to the corporate credit cards. The bank guarantees amount to $100,000.

Termination Penalty

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), the body responsible for managing and regulating petroleum and mining activities in the Timor-Leste area, a request to terminate the PSC by mutual agreement in accordance with its terms and without penalty or claim. The request was issued as a result of ongoing uncertainty as to the security of PSC tenure which arose as a result of a maritime dispute between the governments of Timor Leste and Australia. This request required the consent of the Timor Sea Designated Authority.

On 15 May 2015, the ANPM issued a Notice of Intention to Terminate the PSC and subsequently, on 15 July 2015, issued a Notice of Termination and Demand for Payment. The demand for payment (100%) of the penalty claim of US$17.0 million (plus interest) reflected 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. More recently, ANPM has sought to amend its claim to US$22.26 million.

On 17 October 2018, the Company announced that it had received correspondence from ANPM advising that it had submitted a Request for Arbitration (RFA) to the International Chamber of Commerce (ICC) in Singapore. The RFA relates to matters associated with the termination of the PSC by the ANPM.

In addition to other matters, the Joint Venture considers it has made significant over expenditure in executing the PSC work programme and further, the ANPM failed to properly assess and award credit for such additional expenditure when terminating the PSC. Notwithstanding the Joint Venture considers no penalty payment is applicable, the parties made a number of unsuccessful attempts to settle the matter in dispute prior to the arbitration proceedings issuing. The Group has maintained a USD$600,000 provision for this matter.

On 16 August 2019, the Company announced that it had submitted the Respondents First Memorial to the International Chamber of Commerce (ICC) in Singapore. In this regard, following a substantive legal and independent expert review, the joint venture has lodged a counterclaim against the ANPM for the amount US$23.3 million (plus interest) as damages arising from the wrongful termination of the PSC. Oilex holds a 10% participating interest in the JPDA joint venture.

The arbitration hearing is scheduled to commence on 10 February 2020.

The obligations and liabilities of the Joint Venture participants under the PSC are joint and several and all participants have provided parent company guarantees. The equity interest of the Joint Venture participants are:

Oilex (JPDA 06-103) Ltd (Operator)	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 Ltd is subject to corporate insolvency proceedings and continues to trade under the supervision of an insolvency professional.

\# A notice of default has been issued against both Videocon JPDA 06-103 Limited and GSPC (JPDA) Limited for their failure to pay the joint venture cash calls.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27 – SUBSEQUENT EVENTS

a) On 23 July 2019, the Group entered into an amendment agreement to vary the terms of its loan funding facility of $330,000 entered into on 26 July 2018. Pursuant to the amendment, the loan repayment date has been extended from 26 July 2019 to 1 October 2019. In addition, the Company will issue 124,060,150 new options to the lenders at an exercise price of $0.00266, and an expiry date of 31 December 2019, which were subject to shareholder approval at a General Meeting to be held on 19 September 2019, which was duly forthcoming. All other loan terms and conditions remain the same; and are extended to 1 October 2019.

The total 91,666,666 share options @ $0.0036 exercisable on or before 26 July 2019, attached to the original loans, were not exercised and have lapsed.

The above-mentioned 124,060,150 options were subsequently issued on 27 September 2019.

b) On 30 September 2019, the Company entered into an amendment agreement to vary the terms of its loan funding facility of $300,000 entered into on 26 July 2018; and the subsequent amendment noted in a) above. Pursuant to the amendment, the loan repayment date has been extended to 15 October 2019.

Furthermore, the Company also entered into an amendment agreement to vary the terms of its loan funding facility of $250,000 entered into on 11 September 2018. Pursuant to the amendment, the loan repayment date has been extended from 1 October 2019 to 1 April 2020. Pursuant to the extension, the Company will issue 60,664,887 options at $0.004121 on or before 1 April 2020.

c) On 31 July 2019, the Company announced that it has arranged an equity capital raising to secure funding of £0.34 million (A$0.6 million) through the placing of 257,329,999 new shares at 0.13 pence (A$0.002330) per share. All shares were subsequently issued on 13 August 2019.

d) On 7 August 2019, the Company announced that it has entered into an agreement with Holloman Energy Corporation (HEC) to acquire its 48.5003% interest in the Petroleum Exploration Licence (PEL) 112 and 444 license (the Licenses) in the world class Cooper-Eromanga Basins in South Australia.

Pursuant to the share purchase agreement entered into with HEC, the Company will acquire 100% of its wholly owned subsidiary, Holloman Petroleum Pty Ltd ("HPPL") for gross consideration of 40,416,917 ordinary shares in the Company (Shares) at a deemed price of 0.3 cents and A$24,250 for a total consideration of A$145,500.

e) On 14 August 2019, the Company announced that it has entered into an agreement with Perseville Investing Inc and Terra Nova Energy (Australia) Pty Ltd (TNA) (collectively, TNP) to acquire up to a further 51.4997% interest in the PEL's 112 and 444 licenses.

Pursuant to the share purchase agreement entered into with TNP, the Company will acquire a further participating interest of 30.833% in the Licenses for consideration of 9,166,333 ordinary shares in the Company at a deemed price of 0.3 cents and A$65,000 in cash for a total consideration of A$92,499.

In addition, the Company has been granted an Option by TNP for up to 15 months to acquire a further 20.6667% participating interest in the Licenses (Option). The Option can be exercised for consideration of 20,666,700 ordinary shares in the Company at a deemed price of 0.3 cents for a total consideration of A$62,000 (Option Exercise Shares).

f) In October 2018, the Company announced that the Autoridade Nacional Do Petroleo E Minerais (ANPM) had commenced arbitration proceedings against Oilex and its joint venture partners (Respondents), in regard to the JPDA production sharing contract (PSC).

On 16 August 2019, The Company announced it had submitted the Respondents First Memorial to the International Chamber of Commerce (ICC) in Singapore. In this regard, following a substantive legal and independent expert review, the joint venture has lodged a counterclaim against the ANPM for the amount US$23.3 million (plus interest) as damages arising from the wrongful termination of the PSC.

The arbitration hearing is scheduled to commence on 10 February 2020.

Refer Note 26 for the full background information on this matter.

g) On 9 September 2019, the Company announced it has reached an agreement with Gujarat State Petroleum Corporation (GSPC) which, upon completion, will resolve the ongoing Cambay PSC dispute (the Agreement). Significantly, the Indian Directorate General of Hydrocarbons is a signatory to the Agreement.

As previously announced in March 2019, the State Government of Gujarat and the GSPC Board of Directors' have approved a sales process for many of GSPC's Indian E&P assets. Oilex and GSPC have now agreed to include GSPC's 55% Participating Interest (PI) in the Cambay PSC in this sale process. GSPC has also undertaken to use its best endeavours to complete the sale process within 90 days from commencement.

Pursuant to the Agreement, the Event of Default (EoD) and Event of Withdrawal (EoW) declared by Oilex pursuant to the Cambay Field Joint Operating Agreement (JOA) has been withdrawn and the arbitration tribunal of the Singapore International Arbitration Centre (SIAC) issued an order on 24 September 2019 terminating the arbitration proceedings instituted by GSPC. GSPC has also undertaken to remove the stay order granted in the High Court of Gujarat.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27 – SUBSEQUENT EVENTS (CONTINUED)

h) On 16 September 2019, the Company announced it has entered into an exclusivity agreement with Koru Energy (KLW) Ltd ("Koru"), a subsidiary of Koru Energy Limited, for a potential acquisition of up to a 50% relevant interest in the Knox and Lowry, and Whitbeck gas discoveries (the "KLW Gas Discoveries") in the East Irish Sea (EIS), offshore the United Kingdom ("Exclusivity Agreement").

The KLW Gas Discoveries are a series of shallow water gas accumulations that were discovered between 1992 and 2009 by the then operators and successfully drill-stem tested confirming discovered volumes that the Company and Koru would seek to bring into production, should the acquisition complete. The KLW Gas Discoveries are ideally located very close to a subsea tie-back pipeline which delivers gas to the nearby and recently refurbished North Morecambe Gas Production Platform and Terminal.

The EIS is a prolific basin which has produced more than 6TCF of gas to date with considerable existing gas production, gathering, processing and transportation infrastructure. The KLW Gas Discoveries are located in known conventional shallow reservoirs in shallow water near existing EIS gathering and production infrastructure reducing the complexity, risk and cost of development.

i) On 27 September, the Company announced that it has entered into a binding term sheet with Senex Energy Limited and certain of its related entities (together referred to as "Senex") to acquire all of Senex's interest as operator in 27 Petroleum Retention Licenses in the Northern Oil and West Gas Fairway in the world class Cooper-Eromanga Basins in South Australia (the "Northern Fairway PRLs"), subject to satisfaction of conditions (including government approvals).

The Company will acquire 100% of Senex's interest in the Northern Fairway PRLs for nominal consideration and assumption of existing abandonment liabilities, PRL fees and PRL expenditure targets.

The existing abandonment liabilities relate to previous exploration drilling activities (including the cased and suspended Paning-2 tight gas discovery well) and associated with the Cordillo 3D seismic acquisition operating camp. The existing rehabilitation liabilities are estimated at approximately $1.1m. However, the rehabilitation does not require immediate rectification.

The total annual amount of the Northern Fairway PRL renewal fees is approximately $1 million. The Company also assumes the expenditure targets under the PRLs. Failure to achieve the expenditure target will result in pro-rata relinquishment of the permits. The Company notes that the Northern Fairway PRLs are currently suspended by the South Australian Government, suspending the annual license fees and work obligations. Oilex intends to continue this suspension for a period.

The agreement with Senex is subject to various conditions including the approval of Oilex as operator of the Northern Fairway PRLs by the South Australian Government. Hartleys Limited, a leading Australian corporate advisory and stockbroking financial services firm, has been appointed to lead the arrangement of funding for the acquisition. Subject to the receipt of regulatory approvals, Oilex anticipates completion of the acquisition by the end of Calendar Year 2019.

j) On 30 September 2019, the Company announced that it has arranged an equity capital raising to secure funding of £0.6 million (A$1.1 million) through the placing of 315,789,474 new shares at 0.19 pence (A$0.00348) per share. The shares will be issued to Novum Securities and existing shareholders.

Other than the above disclosure, 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.

NOTE 28 – OTHER ACCOUNTING POLICES

New Standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are not yet effective and have not been applied in preparing this financial report.

» 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 July 2019. The Group has undertaken a review of all its existing leases. 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 is unlikely to have a material future impact on the Group's balance sheet once the liability for future leases are recognised. Further information is disclosed in Note 25.

» IFRIC 23 Uncertainty over Tax Treatments clarifies how the recognition and measurement requirements of IAS 12 Income Taxes are applied when there is uncertainty over income tax treatments. IFRIC 23 is effective for annual periods beginning on or after 1 July 2019. The impact of the adoption of this interpretation is not expected to have a significant on the Group's Consolidated financial statements.

DIRECTORS' DECLARATION

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

(a) the consolidated financial statements and notes thereto, and the Remuneration Report in the Directors' Report, set out on pages 23 to 31, are in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

(2) The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2019.

(3) The Directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Mr Brad Lingo
Chairman

Mr Jonathan Salomon
Managing Director

West Perth, Western Australia
30 September 2019

INDEPENDENT
AUDITOR'S REPORT

Independent Auditor's Report

To the shareholders of Oilex Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Oilex Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of *the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2(c), "Going Concern Basis" in the financial report. The conditions disclosed in Note 2 (c) 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 financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. Our approach to this involved:

- Evaluating the feasibility, quantum and timing of the Group's plans to raise additional shareholder funds to address going concern;

- Assessing the Group's cash flow forecasts for incorporation of the Group's operations and plans to address going concern, in particular in light of the history of loss making operations; and
- Determining the completeness of the Group's going concern disclosures for the principle matters casting significant doubt on the Group's ability to continue as a going concern, the Group's plans to address these matters, and the material uncertainty.

Key audit matter

A Key Audit Matter is a matter that, in our professional judgement, was of most significance in our audit of the Financial Report of the current year.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Valuation of exploration and evaluation ($0.6 million) and development assets ($6.5 million)

Refer to Notes 7 and 8 to the Financial Report.

The key audit matter	How the matter was addressed in our audit
The valuation of exploration and evaluation (E&E) assets and development assets is a key audit matter due to: The significance of the E&E and development assets balance (being 75% of total assets) and the significant judgement involved in considering impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E and development assets. Therefore, given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. In assessing the presence of impairment indicators, we focused on those indicators that may draw into question the commercial continuation of E&E activities for the Cambay field where significant capitalised E&E and development assets exist. In performing the assessment above, we paid particular attention to: • Documentation available regarding rights to tenure and/or production, and the Group's intention to continue the relevant E&E activities; • The ability of the Group to fund the continuation of activities; and • The existence or otherwise of economically recoverable reserves.	We have performed our independent assessment of impairment indicators based on internal and external factors, including the following: • Evaluated the appropriateness of the Group's approach to the assessment of impairment indicators against accounting standard requirements; • Challenged the Group's assertion as to the presence of no impairment or reversal indicators. This included assessing the status of the Cambay field, financial performance against forecasts and comparing forecast prices to published views of market commentators on future trends; • Considered management's plans for continued exploration, evaluation and development of Cambay field; • Sighted external correspondence on the status of the rights to tenure and/or production over the Cambay field; • Obtained a copy of an external reserves and resources report to evidence forecast production quantities of oil and gas within the cash generating unit (CGU); and, • Recomputed the market capitalisation of the Group and compared this with the net asset value.

INDEPENDENT
AUDITOR'S REPORT

Other Information

Other Information is financial and non-financial information in Oilex Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

INDEPENDENT AUDITOR'S REPORT

Report on the Remuneration Report	
Opinion In our opinion, the Remuneration Report of Oilex Ltd for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.	**Directors' responsibilities** The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*. **Our responsibilities** We have audited the Remuneration Report included in pages 23 to 31 of the Directors' report for the year ended 30 June 2019. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Derek Meates

Partner

Perth

30 September 2019

SHAREHOLDER INFORMATION

Shareholder information as at 1 September 2019

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The address of the principal registered office is Level 2, 11 Lucknow Place, West Perth, Western Australia 6005, Australia, Telephone +61 8 9485 3200.

The name of the Company Secretary is Mr Mark Bolton.

Detailed schedules of exploration and production permits held are included in the Business Review.

Directors' interest in share capital options are disclosed in the Directors' Report.

There is currently no on-market buy-back in place.

Shareholding

(a) Distribution of share and option holdings:

Size of holding	Number of shareholders	Number of unlisted option holders
1 - 1,000	296	-
1,001 - 5,000	474	-
5,001 - 10,000	314	-
10,001 - 100,000	752	-
100,001 and over	495	4
Total	**2,331**	**4**

(b) Of the above total 1,900 ordinary shareholders hold less than a marketable parcel.

(c) Voting Rights:

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

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

Register of Securities

The register of securities listed on the Australian Securities Exchange is held by Link Market Services Limited, Level 12, 250 St Georges Terrace, Perth, Western Australia 6000, Australia, Telephone +61 8 9211 6670.

The register of securities listed on the Alternative Investment Market of the London Stock Exchange is held by Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom, Telephone +44 870 702 003.

Stock Exchange Listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange and the Alternative Investment Market of the London Stock Exchange (AIM) and trades under the symbol OEX.

Unquoted Securities - Options

Total unlisted options on issue are 69,553,776.

The Managing Director, Mr Jonathan Salomon holds 14,987,013 shares as at 1 September 2019 which represents 0.52% of shares.

SHAREHOLDER INFORMATION

Twenty Largest Shareholders

Shareholders	Shares Held		% of issued capital
HSBC Custody Nominees (Australia) Limited	437,509,516		15.20
Rock (Nominees) Limited <CSHNET>	154,989,568	#	5.39
Roy Nominees Limited <127735>	150,581,264	#	5.23
Hargreaves Lansdown (Nominees) Limited <15942>	145,235,304	#	5.05
Interactive Investor Services Nominees Limited <SMKTNOMS>	128,346,155	#	4.46
Barclays Direct Investing Nominees Limited <CLIENT1>	123,908,406	#	4.31
Interactive Investor Services Nominees Limited <SMKTISAS>	111,901,410	#	3.89
HSDL Nominees Limited	96,114,523	#	3.34
Hargreaves Lansdown (Nominees) Limited <HLNOM>	90,399,725	#	3.14
Hargreaves Lansdown (Nominees) Limited <VRA>	87,471,954	#	3.04
Magna Energy Limited	73,505,090		2.55
Zeta Resources Limited	71,323,567		2.48
Lawshare Nominees Limited <DEALING>	52,121,495	#	1.81
Chase Nominees Limited	50,000,000	#	1.74
HSBC Client Holdings Nominee (UK) Limited <731504>	49,283,646	#	1.71
HSDL Nominees Limited <MAXI>	43,294,727	#	1.50
Jim Nominees Limited <JARVIS>	39,985,606	#	1.39
Vidacos Nominees Limited <LGUKCLT>	39,275,896	#	1.36
HSDL Nominees Limited <LWMAXI>	37,755,945	#	1.31
UBS Private Banking Nominees Ltd <MAINPOOL>	32,266,549	#	1.12
Total	**1,351,606,658**		**46.96**
Total issued shares as at 1 September 2019	**2,878,064,483**		**100.00**

Substantial shareholders as disclosed in the most recent substantial shareholder notices given to the company are as follows:

Substantial Shareholders	Shares Held	% of issued capital
Republic Investment Management Pte Ltd	422,744,768	14.74

Republic Investment Management Pte Ltd has subsequently transferred all of its shares to the AIM register.

(#) Included within the total issued capital are 1,814,417,003 shares held on the AIM register. Included within the top 20 shareholders are certain AIM registered holders as marked.

DEFINITIONS

Associated Gas	Natural gas found in contact with or dissolved in crude oil in the reservoir. It can be further categorised as Gas-Cap Gas or Solution Gas.
Bbls	Barrels of oil or condensate.
BCF	Billion cubic feet of gas at standard temperature and pressure conditions.
BCFE	Billion cubic feet equivalent of gas at standard temperature and pressure conditions.
BOE	Barrels of Oil Equivalent. Converting gas volumes to the oil equivalent is customarily done on the basis of the nominal heating content or calorific value of the fuel. Common industry gas conversion factors usually range between 1 barrel of oil equivalent (BOE) = 5,600 standard cubic feet (scf) of gas to 1 BOE = 6,000 scf. (Many operators use 1 BOE = 5,620 scf derived from the metric unit equivalent 1 m^3 crude oil = 1,000 m^3 natural gas).
BOPD	Barrels of oil per day.
GOR	Gas to oil ratio in an oil field, calculated using measured natural gas and crude oil volumes at stated conditions. The gas/oil ratio may be the solution gas/oil, symbol Rs; produced gas/oil ratio, symbol Rp; or another suitably defined ratio of gas production to oil production. Volumes measured in scf/bbl.
MMscfd	Million standard cubic feet of gas per day.
MMbbls	Million barrels of oil or condensate.
PSC	Production Sharing Contract.
mD	Millidarcy – unit of permeability.
MD	Measured Depth.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations. Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves. 3P Probabilistic methods. P90 refers to the quantity for which it is estimated there is at least a 90% probability the actual quantity recovered will equal or exceed. P50 refers to the quantity for which it is estimated there is at least a 50% probability the actual quantity recovered will equal or exceed. P10 refers to the quantity for which it is estimated there is at least a 10% probability the actual quantity recovered will equal or exceed.
SCF/BBL	Standard cubic feet (of gas) per barrel (of oil).
TCF	Trillion cubic feet.
Tight Gas Reservoir	The reservoir cannot be produced at economic flow rates or recover economic volumes of natural gas unless the well is stimulated by a large hydraulic fracture treatment, a horizontal wellbore, or by using multilateral wellbores.

CORPORATE INFORMATION

DIRECTORS

Brad Lingo Bachelor of Arts with Honours, Juris Doctorate, MAICD
Non-Executive Chairman

Joe Salomon B APP SC (Geology), GAICD
Managing Director

P Schwarz
Non-Executive Director

P Haywood
Non-Executive Director

COMPANY SECRETARY

Mark Bolton B Business
CFO and Company Secretary

REGISTERED AND PRINCIPAL OFFICE

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11 Lucknow Place
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Fax +61 8 9485 3290

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Gujarat, India

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OILEX LTD

ACN 078 652 632
ABN 50 078 652 632

STOCK EXCHANGE LISTINGS

Oilex Ltd's shares are listed under the code OEX on the Australian Securities Exchange and on the Alternative Investment Market of the London Stock Exchange (AIM)

AIM NOMINATED ADVISER

Strand Hanson Limited
26 Mount Row
London W1K 3SQ
United Kingdom

AIM BROKER

Novum Securities Limited
10 Grosvenor Gardens
Belgravia
London SW1W 0DH
United Kingdom

SHARE REGISTRIES

Link Market Services Limited (for ASX)
Level 12
250 St Georges Terrace
Perth Western Australia 6000
Australia

Computershare Investor Services PLC (for AIM)
The Pavilions
Bridgwater Road
Bristol BS13 8AE
United Kingdom

AUDITORS

KPMG
235 St Georges Terrace
Perth Western Australia 6000
Australia

OILEX LTD
ABN 50 078 652 632

Registered and Principal Office

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