

ANNUAL REPORT | 2016



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CHAIRMAN'S REVIEW

Dear Shareholder

The 2016 financial year has been an extremely challenging year for Oilex and its shareholders, resulting in a loss before income tax of \$36 million, primarily affected by non-cash impairment of exploration and development assets of \$21.6 million, and reduced recovery of costs from Joint Ventures and costs associated with the Zeta Resources Limited litigation. Against a back drop of a fifteen-year low in oil prices, the Company has had to divert much of its attention from the core business of developing value from its assets to addressing significant joint venture issues in India, costly litigation associated with its last capital raising, and resetting the technical direction at Cambay, in association with lower than expected production rates at its most recent wells and delays associated with joint venture funding contribution to ongoing project activities.

Despite these hurdles, the Company continues to be confident in, and committed to unlocking, the multi TCF in-place tight gas potential in its onshore Cambay Block, Gujarat State in India. To this end, a new vertical well is planned which is essential to determining the optimal formula to underpin any long term commercial development of the substantial undeveloped gas opportunity at Cambay. The next phase of the work programme is designed to address the identified technical and operational risks and is aimed at regaining the momentum behind the Company's core unconventional gas project at Cambay.

The growth in energy demand in India underpins a strong business case for the Joint Venture partners to the Cambay PSC. India is home to 18% of the world's population yet uses only 6% of the world's primary energy. This is despite its energy consumption having almost doubled since 2000. Domestic gas production continues to decline with the growing imbalance being filled by the rapid expansion of LNG imports.

Oilex believes that India has large undeveloped unconventional potential. Limited exploitation, to date, provides a significant opportunity for the discovery and commercial development of these hydrocarbon resources. Oilex has ten years' operating experience in India with a strong local team. Under the revamped leadership team, the Company is focussed on leveraging this opportunity for the benefit of our stakeholders and partners.

Reflecting the changes in the industry environment and the project status, your Board has made the necessary changes to reposition Oilex for a strong future. Besides reducing expenditure, the Company has restructured its board and senior executive management team during the year.

The Company is actively engaged in resolving issues associated with the Cambay joint venture funding requirements, which has necessitated that as Operator the Company has absorbed certain costs to maintain the viability of this joint venture, while developing an ongoing strategy to resolve these issues.

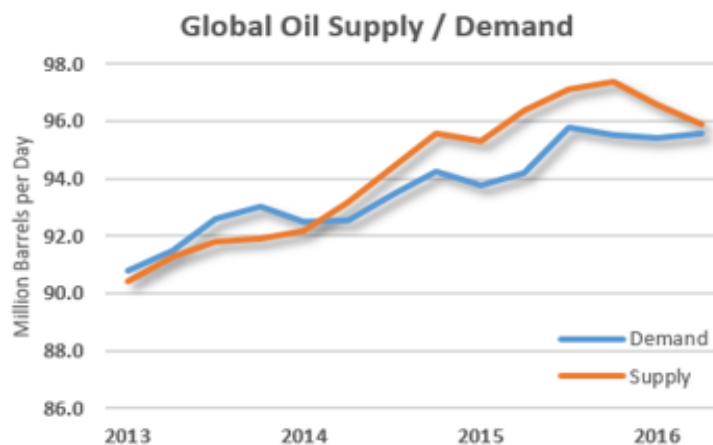
On behalf of the Board I wish to record our appreciation for the support of our executive management and staff, Joint Venture partners, contractors, local communities, shareholders and stakeholders during a difficult year and look forward to unlocking the key to the sustainable commercialisation of the unconventional hydrocarbon resources within the Cambay project.



Mr MDJ Cozijn
Chairman
29 September 2016

Global Economic Environment for Hydrocarbons

The global oil and gas industry has been subjected to continuing challenges brought about by the world wide reduction in oil and gas prices since late 2014. Oil prices have fallen by around 60%, driven by a supply demand imbalance with supply now exceeding demand for nine consecutive quarters. The global LNG supply has seen strong growth with many new liquefaction trains coming on stream this year at the same time that traditional buyers are experiencing falling demand. As a result, the entire oil and gas industry has been under pressure and very few companies have remained immune to value loss and project delays. Oilex commissioned a review of peer company performance between July 2015 and February 2016 which showed an average loss of 40% in share price over this period. Oilex's strategy and day to day operations have been effected and appropriate responses including cost cutting have been taken to adjust to the current situation.



Based on IEA data from Oil Market Report © OECD/IEA 2016, www.iea.org/oilmarketreport/omrpublic; as modified by Oilex Ltd.

Two cost reduction initiatives have been undertaken. The first was announced in the Company's March 2016 Quarterly Report documenting 47% reduction in Indian ongoing operating costs and 23% reduction in corporate costs. A second measure was announced on 29 September 2016 documenting an additional 30% cut in Indian personnel costs, a review of commercial operations at Cambay and Bhandut Fields, and 40% reduction in personnel costs in Australia. All exploration costs continue to be deferred. The staff reductions have been undertaken reluctantly but in response to the general environment. Efforts have been made to maintain operating capability as far as possible and future activities will be augmented through contract arrangements on an as needed basis. The Company's personnel, excluding non-executive directors, after restructure, consists of 22 full time equivalent (FTE) people in India and 7 FTE in Australia.

Oilex Strategy

Within the context of the sector's global difficulties, Oilex has continued to focus on its projects in the Indian upstream gas industry where demand for hydrocarbons continues to rise within a strong domestic economy seeing GDP growth rates over the last 2 years in excess of 7%. In 2015, India was the world's third largest energy consumer with an increasing imbalance in gas demand over supply. India's domestic gas production, which declined 3.8% in 2015, falls short of requirements, and is supplemented by international LNG imports. These increased by 15% in 2015 and only partially fill the supply-demand gap. India's demand for natural gas is predicted to rise annually by approximately 5%.

Introduction

Oilex's principal project is the Cambay Project located onshore in the state of Gujarat in the heart of one of India's most prolific hydrocarbon provinces. In this area, the presence of hydrocarbons is proven from a long history of drilling and production and infrastructure is already present on a large scale.

Along with its Joint Venture partner, Gujarat State Petroleum Corporation Limited (GSPC), Oilex as operator has worked in this area since 2005 and the Joint Venture has discovered and produced both oil and gas from a number of geological horizons. Current efforts centre on the application of horizontal drilling technologies developed in the hugely successful unconventional hydrocarbon resources boom in North America in recent years. Oilex continues to believe that India's domestic gas industry has enormous potential for similar success, by adapting the North American experience to the Indian hydrocarbon industry and that this approach is only in its infancy. The successful development of unconventional gas fields will provide India with a real opportunity to offset LNG imports and to rejuvenate its domestic industry.

The Cambay Project is ideally located at a hub of India's large gas distribution network and approximately 10 km from the existing national gas pipeline grid and is already connected to the low pressure local market. The project is well-positioned to commercialise production in the fast-growing, demand-driven domestic energy market.

Oilex's capability in gas field developments was demonstrated with the testing and marketing of gas from the Cambay asset, and in a small conventional project called Bhandut, where a single well production facility was successfully placed on stream.



Figure 1: Jayant Sethi (centre) with Oilex Staff

Cambay Field, Onshore Gujarat, India

(Oilex - 45%, Operator)

Oilex is the Operator of the Cambay Field Production Sharing Contract (PSC) in the Cambay Basin onshore Gujarat, India and holds a 45% participating interest. The remaining 55% interest is held by Joint Venture partner, Gujarat State Petroleum Corporation Limited.

The Cambay Basin is one of the most prolific hydrocarbon basins in India. Exploration started in the 1950's and hydrocarbon production and observations in many wells validate a rich petroleum system with proven prolific source rocks. The basin lies within one of India's main industrial regions and is India's largest centre of heavy industry. Extensive infrastructure connects producing fields to local industries and other major centres as far north as Delhi.

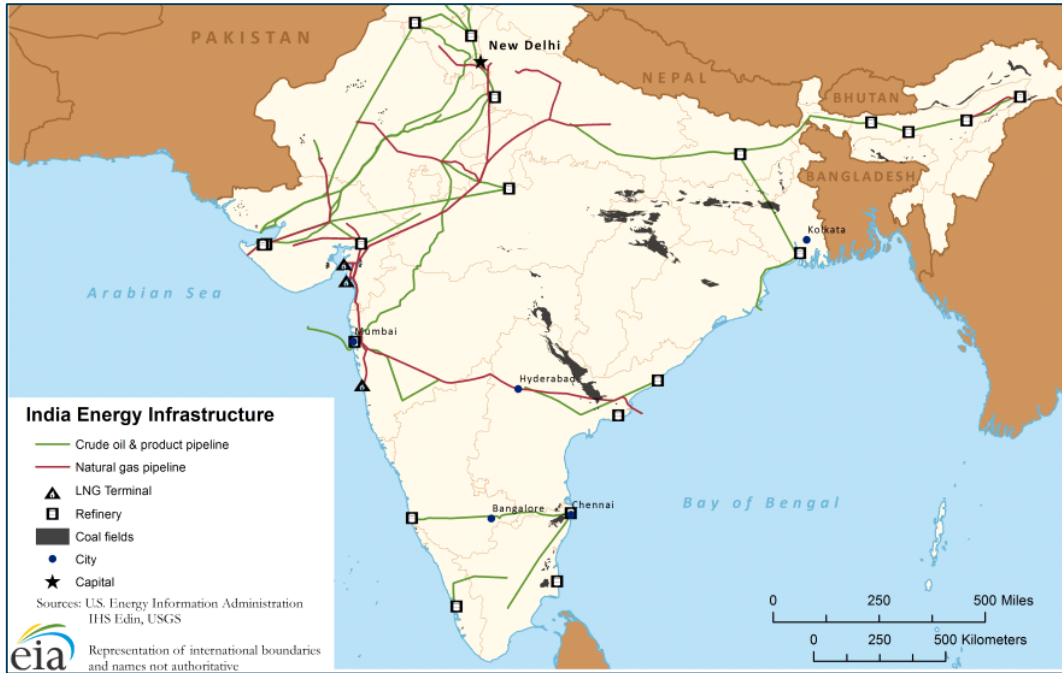


Figure 2: Gujarat Gas Pipeline Network to the Nation

The 161 km² Cambay PSC Area contains multiple target horizons for oil and gas. Past production had been established from shallower conventional reservoirs predominantly producing oil in shallower Miocene Basal Sand reservoirs and predominantly wet gas from the Oligocene OS-II reservoir.

The current focus is on deeper unconventional (tight) Eocene reservoirs which are known to be gas charged and referred to as the EP-III/IV or X and Y Zones. The application of recently developed North American drilling and stimulation techniques aimed at commercial production from these targets is still at a very early stage. The following map shows the EP-IV (Y Zone) hydrocarbon flows from wells within the Cambay PSC.

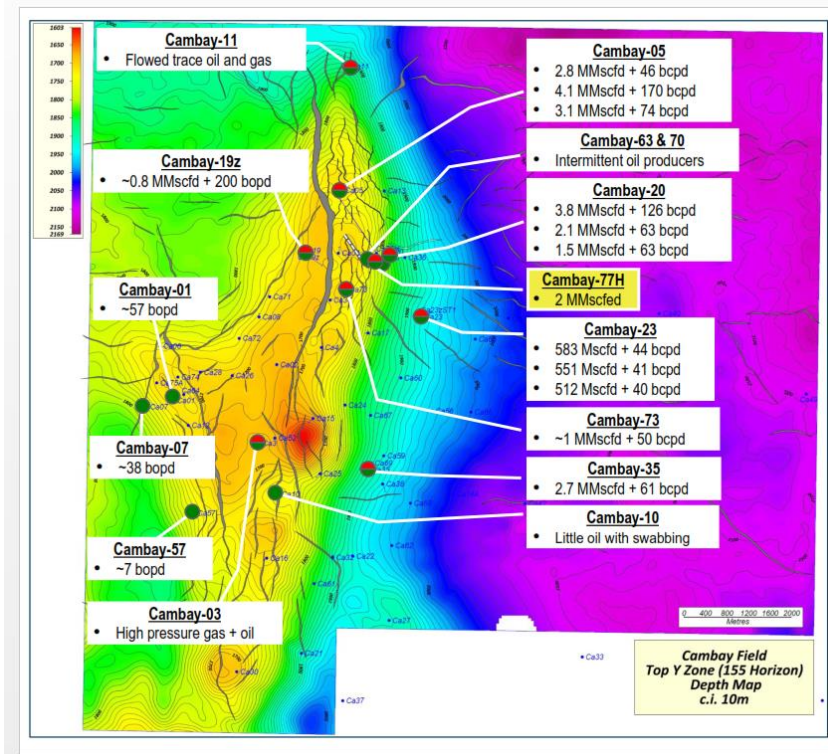


Figure 3: Cambay Field – recorded hydrocarbon flowrates from EP-IV (Y Zone) reservoir

The Oilex operated Joint Venture has drilled two horizontal wells which were multi-stage stimulated (Cambay-76H and Cambay-77H). The drilling of these two wells represents the beginning of the learning curve associated with adapting North American technology to the specifics of the Cambay Basin geology. The first well Cambay-76H spudded in 2011 was successfully drilled with hydrocarbons confirmed in the reservoir section and appearing at surface during the drilling operation. It was stimulated but production could not be established due to downhole equipment failures which could not be rectified. The second well, Cambay-77H drilled in 2014, was successfully placed on production during the year at flow rates lower than anticipated after reservoir stimulation. The results of these two wells served to confirm the wide-spread presence of wet gas saturated, low permeability siltstones that were encountered in the older vertical wells.

In order to determine the optimal drilling and stimulation procedures required to provide higher flow rates from this siltstone section, core samples must be acquired, then analysed by laboratories experienced in providing the solutions for unconventional development. The focus of the next well to be drilled in the Cambay Field will be to acquire the core data which will provide the basis for selecting optimal drilling and completion technologies for future development wells.

Modest levels of oil, gas and condensate production occurred throughout the year from 11 wells producing approximately 4,408 bbl of oil and condensate and 62 MMscf of gas. The wells produce either from the OS-II or the EP-IV or Y Zone with the latter providing most of the production. Two of these wells, Cambay-73 and Cambay-77H provided the bulk of the volume and produced gas with condensate. Production and pressure data from the wells provide an important understanding of reservoir performance. The two wells are about 2 km apart and the well fluid is piped to a gathering station at the Cambay-73 location where the separated gas enters a low pressure distribution pipeline servicing domestic gas demand.

During the year, the wells were at times shut-in while waiting for government approvals to continue test gas production, and have recently been shut-in, awaiting such approval.



Figure 4: Cambay-73 Production Facility

Joint Venture Management

Oilex's Joint Venture partner in the Cambay PSC is Gujarat State Petroleum Corporation Limited. At the end of June 2016, unpaid cash calls issued to GSPC and going back several years totalled approximately US\$6.5 million. Between July 2015 and August 2016 the Company received payments from GSPC totalling approximately US\$0.76 million in relation to Cambay and approximately US\$0.48 million in relation to Bhandut. Oilex continues to engage with its Joint Venture partner to resolve the unpaid cash calls and to obtain a commitment to participate in future activities or to find an alternative solution so that a work programme to progress the Field can take place.

Oilex, as operator, continues to bear the ongoing costs of the Joint Venture and has managed payment of the Cambay Joint Venture creditors.

Negotiations on a work programme and budget acceptable to the Joint Venture partner for Cambay Field are ongoing. Early in the 2016 calendar year Oilex submitted a reduced work programme and budget for the Cambay Project for the Indian financial year starting 1 April 2016. This work programme and budget concentrated primarily on maintenance of the asset; however, it is yet to be approved by the Joint Venture. Subsequent to the reporting period, the Company has submitted a revised work programme and budget to the Joint Venture for approval, inclusive of the planned new vertical well with the dual objective of appraising an area of un-depleted OS-II reservoir and obtaining core samples of the EP-IV zone. Analysis of the core will determine the optimal technologies for commercial development of unconventional gas resource known to be in place. In the absence of a timely and mutually acceptable approval by the Joint Venture, the Company may elect (subject to availability of funds) to sole fund the programme with the objective of progressing production from the Cambay Field. The Cambay PSC primary term expires in September 2019, and the Joint Venture has the possibility of applying for an extension of up to 10 years, such that the PSC could be extended to 2029 or economic life of the field, whichever is earlier, subject to submission of a field development plan and complying with other PSC extension criteria. There are no outstanding work commitments on the PSC before the term expires.

The Government of India approved its Policy for the Grant of Extension to the Production Sharing Contracts (Policy) to small and medium fields in March 2016, listing the Cambay Field in the annexure. Applications are due at least two years in advance of the PSC expiry date. The Policy includes the following pre-requisites for evaluation:

- the area must have a valid mining lease on the date of application;
- the area must have commenced test / commercial production;
- the area covered by the development plan has been submitted to the Management Committee for approval, and be subject to approval of such;
- the Contractor should be able to demonstrate recoverable reserves by submitting a third party reserves report with the extension application; and
- the revised field development plan is required to be submitted.

Subject to the success of the planned work programme, inclusive of the vertical well, the Company anticipates lodging its Field Development Plan in late 2017 in support of its PSC extension application. The application for extension, including final terms and conditions, is at the discretion of the Government of India.

Reserves and Contingent Resources

In April 2015, the Company tabled reserve and contingent resource volumes associated with the EP-III/IV (X and Y Zones) resulting from a review undertaken by third party certifier RISC. Since that time, a number of key factors have changed including:

- i) economic assumptions related to lower gas prices being realised because of the global fall in oil and gas prices;
- ii) Oilex's Joint Venture partner's lack of approval of ongoing work programmes and budgets; and;
- iii) the resultant deferral in project timing which extends the recovery of reserves to beyond the current term of the PSC. Note that the Company can apply for a PSC extension of 10 years.

On this basis, RISC has recommended that the reserve volumes be re-classified to contingent resources. It should be noted that the volume of hydrocarbons has not been amended. The updated recoverable hydrocarbon volumes are tabulated below.

			Net Gas Volume bcf			Net Condensate Volume million bbl		
			1P	2P	3P	1P	2P	3P
At April 2015	Reserves	Y Zone	Nil	93	170	Nil	3.6	7.8
At June 2016			Nil	Nil	Nil	Nil	Nil	Nil
			1C	2C	3C	1C	2C	3C
At April 2015	Contingent Resources	X & Y Zones	215	324	558	12	23.8	46.8
At June 2016			215	417	728	12	27.4	54.6

Table shows Oilex Net Working Interest Reserves and Contingent Resources

Reserves in Y Zone have been reclassified Contingent Resources

Refer to ASX announcement dated 24 June 2016 for further details

The Company notes that previously announced production profiles and other forward looking statements based upon the previous reserve volumes are no longer current and shareholders and investors are urged to exercise caution in basing any investment decisions on such information.

Reserves and Contingent Resources Reconciliation by Period

Reserves

Cambay India	Estimated Cambay Field Reserves					
	1P Undeveloped		2P Undeveloped		3P	
Y Zone	Gas Bcf	C5 MMbbls	Gas Bcf	C5 MMbbls	Gas Bcf	C5 MMbbls
Total - Gross 30/06/2015	Nil	Nil	206	8.0	377	17.3
Recognition of new reserves	-	-	-	-	-	-
Reclassification of reserves to contingent resources June 2016	-	-	(206)	(8.0)	(377)	(17.3)
Acquisitions and divestments	-	-	-	-	-	-
Production	_*	_*	_*	_*	_*	_*
Total - Gross 30/06/2016	Nil	Nil	Nil	Nil	Nil	Nil
Oilex net working interest	Nil	Nil	Nil	Nil	Nil	Nil

*Actual Cambay Field production in the year ended 30 June 2016 was 4,408 Bbls and 62 MMscf (gross), net to Oilex 1,983 Bbls and 28 MMscf. Production for the period 1 July to 30 June 2016 has been excluded from the table above as these amounts are immaterial relative to total Reserves and Oilex net working interest.

Contingent Resources

Cambay India	Unrisked Cambay Field Contingent Resource Estimates					
	1C		2C		3C	
X and Y Zones	Gas Bcf	C5+ MMbbls	Gas Bcf	C5+ MMbbls	Gas Bcf	C5+ MMbbls
Total - Gross 30/06/2015	478**	26.7**	720	52.8	1239	104.0
Reclassification of reserves to contingent resources June 2016	-	-	206	8.0	377	17.3
Total - X and Y Zones Gross 30/06/2016	478	26.7	926	60.8	1616	121.3
Oilex net working interest	215	12.0	417	27.4	728	54.6

**Includes gross contingent resources of 90 Bcf of gas and 3 MMbbls of C5+ as announced on 16 April 2015.

Bhandut Field, Onshore Gujarat, India

(Oilex - 40%, Operator)

Oilex N.L. Holdings (India) Ltd 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 Gujarat State Petroleum Corporation Limited (GSPC).

The Bhandut Field was initially discovered and developed by ONGC in 1976. Oilex has produced 28,093 bbl of oil since the time of taking over the field in 2006.

In 2012 Oilex and GSPC carried out a production workover to perforate an interpreted gas-saturated sandstone in the Bhandut-3 well to address the potential for development. The workover was successful and the well flowed at a maximum rate of 6.5 MMscfd through a 10 mm choke with a flowing tubing head pressure of 1,190 psia from this sandstone during an isochronal test. The reservoir sands are good quality with a permeability of 124 mD. The produced gas is dry gas with 96% methane and requires minimal treatment.

During the year, Oilex completed the construction of a gas production and handling facility. A third party gas purchaser provided the off-take pipeline which connects the gas into the grid after compression at the third party facility. Gas production commenced on 6 April 2016. Since that time the well has been on continuous production. At the end of June 2016 about 46 MMscf of gas and 164 bbl of condensate had been produced. A decline of 45% has occurred and water gas ratio (WGR) has increased to 230 bbl/MMscf at year end. Subsequent to year end, gas production rates have remained low and water production has increased. The field operations remain under review.

The Joint Venture partner GSPC has approved the Work Programme and Budget for the Bhandut Field for the Indian financial year starting 1 April 2016. GSPC payments on cash calls are largely up to date with approximately US\$215,000 outstanding.

In September 2016, the mining lease for Bhandut was extended for a period of three years till September 2019.



Figure 5: Bhandut Production Facility

Sabarmati Field, Onshore Gujarat, India

(Oilex - 40%, Operator)

The Sabarmati Field Petroleum Mining Lease expired on 22 September 2014. The formal field relinquishment process has been confirmed by the Directorate General of Hydrocarbons (DGH) and final confirmation of the PSC cancellation by Government of India was received on 26 August 2016.

Canning Basin, Western Australia

Oilex currently holds exploration permit application STP-EPA-0131, and has “preferred applicant” status for two adjacent exploration areas, STP-EPA-0106 and STP-EPA-0107 in the onshore Canning Basin, Western Australia. The combined total area is ~3 million acres.

The acreage is adjacent to many world class mining projects in the Pilbara region. The Great Northern Highway runs through the northern area and the Telfer Gas Pipeline traverses STP-EPA-0131 (Figure 6).

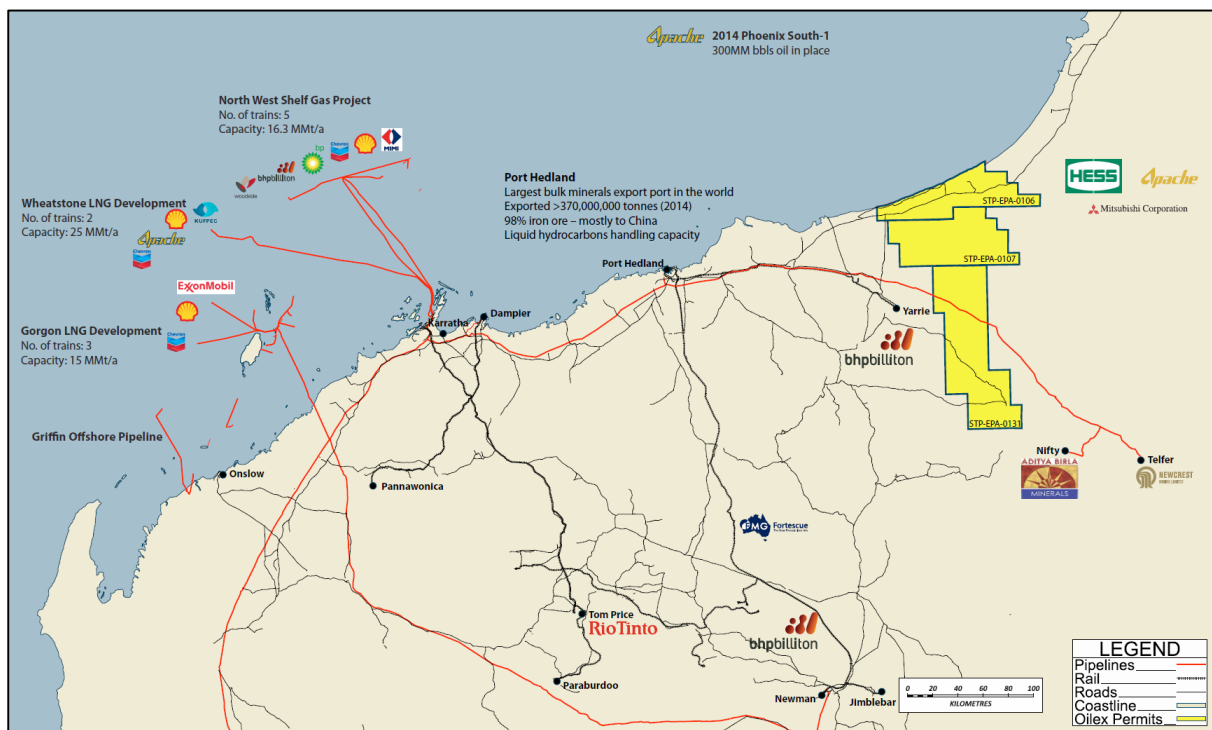


Figure 6: Significant infrastructure within and adjacent to Oilex’s Wall Graben permits

The U.S. EIA identified the Canning Basin as having the largest unconventional potential in Australia. The exploration areas cover the prospective Wall Graben.

Prospectivity

The three permit areas cover the full onshore extent of the undrilled Wallal half graben located in the south-west Canning Basin. Data coverage, until recently, comprised only low resolution gravity/magnetic data and sparse vintage 2D seismic data of variable quality. Oilex’s technical work identified the possibility of a deeper and more extensive half graben system which was subsequently confirmed through the acquisition of an Oilex-funded airborne gravity and magnetic survey.

Multiple play-types including structural and stratigraphic (fan systems visible on seismic data) plays have been identified. It is envisaged that a single vertical well could test multiple targets. Unconventional resource plays are likely to exist within the organic shales interpreted to exist by analogy with the greater Canning Basin. At various geological periods, the Wallal Graben potentially had only a limited connection with the ocean, resulting in very rich source rocks being deposited. That said, source rock presence remains the primary risk in the area and Oilex has been investigating some novel technologies which may provide a de-risking tool.

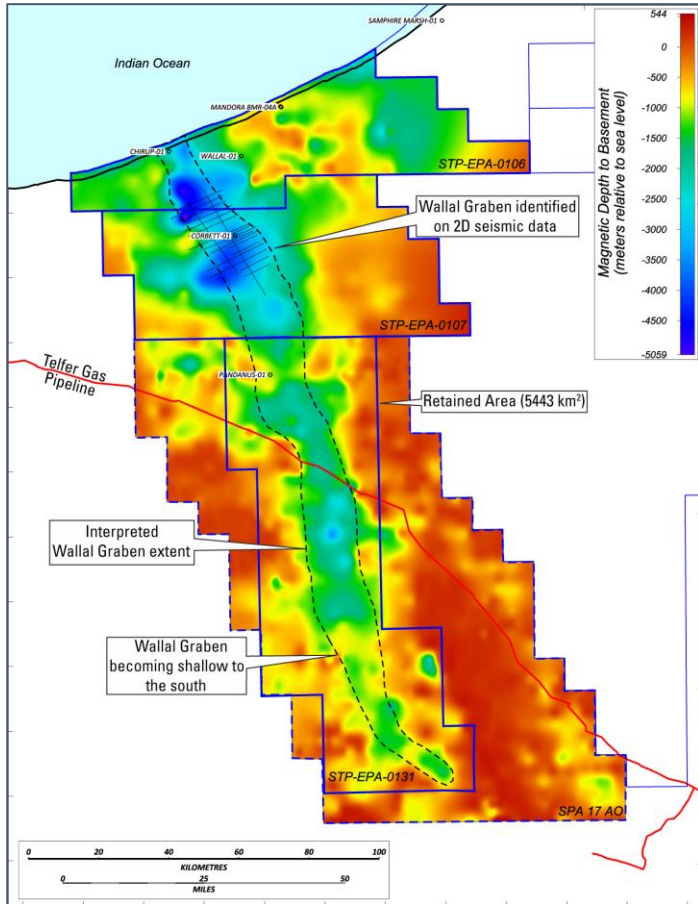


Figure 7: Interpretation of the Wallal Graben extent overlain on the magnetic depth to basement horizon (meters relative to sea level).

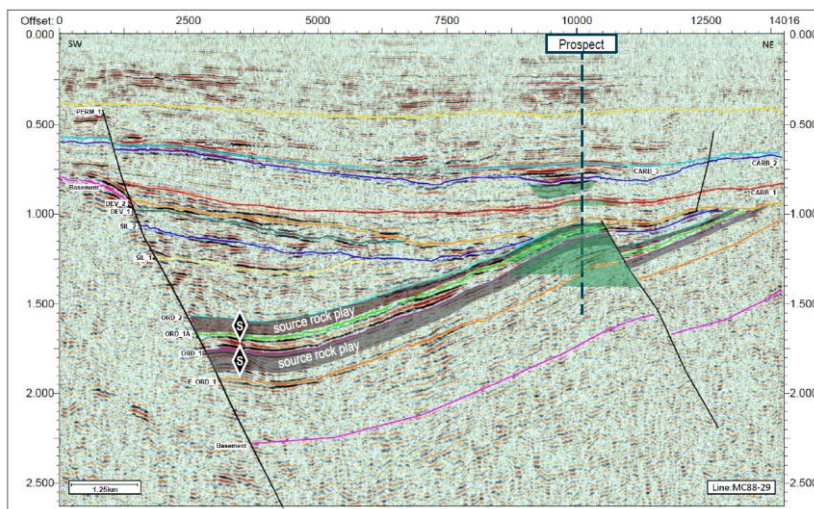


Figure 8: Example of structural lead - simple tilted fault block with stacked overlying channel. Two interpreted unconventional (source rock) plays are also shown.

Grant of the permits requires negotiation with traditional owner groups and Oilex has agreed terms and executed Heritage Protection Agreements in respect of the two northern blocks. Oilex is also in discussion with the Western Australian Government regarding work programmes. The process of the formal offer of Exploration Permits for each area will proceed upon finalisation of all agreements, at which time Oilex can elect whether to accept the offer.

JPDA 06-103, Timor Sea

(Oilex - 10%, Operator)

The Joint Venture submitted a request to the Autoridade Nacional do Petroleo e Minerais (ANPM) to terminate the PSC by mutual agreement in accordance with its terms and without penalty or claim on 12 July 2013 (Request to Terminate).

The Request to Terminate followed Joint Venture concerns over the security of PSC tenure as a result of developments within the JPDA, including JPDA 06-103, which are outside the control and influence of the Joint Venture Participants, including:

- existence of separate unilateral rights to terminate the Certain Maritime Arrangements in the Timor Sea (CMATS) arising in 2013 in favour of both the Government of Timor Leste and the Government of Australia; and
- formal arbitration proceedings being initiated by the Timor Leste Government against the Government of Australia to have CMATS declared void ab initio.

On 15 January 2014 the ANPM suspended the PSC for 3 months to provide sufficient time for a response to the Request to Terminate be determined. The ANPM subsequently granted successive 3 month extensions to the PSC.

In May 2015 the ANPM responded to the Joint Venture and advised that the Request to Terminate had been rejected. Shortly thereafter, the Joint Venture received a Notice of Intent to Terminate the PSC (Notice) from the ANPM.

The Notice asserts a monetary claim against the Joint Venture for payment of the estimated cost of exploration activities not carried out in 2013 and certain local content obligations set out in the PSC. The total amount sought to be recovered by the ANPM in the Notice is approximately US\$17 million. The obligations and liabilities of the Joint Venture participants under the PSC are joint and several.

The Joint Venture has previously requested credit for excess expenditure on the approved work programme in the amount of circa US\$56 million and this issue remains unresolved. The Notice does not include any reference to, nor allowance for, credit for excess monies which have been spent by the Joint Venture during the PSC term. Oilex considers such excess expenditure should be included as part of any financial assessment incorporated in the termination process.

During the financial year, the ANPM issued the Notice of Termination of the PSC JPDA 06-103 effective 15 July 2015.

The Joint Venture continues to discuss any financial liabilities which may arise from the termination of the PSC with the ANPM.

In the event the parties are unable to reach an amicable settlement, any party may refer the matter to arbitration, however the ANPM may only do so with the unanimous consent of each of the Joint Commissioners (two of whom are appointed by the Timor-Leste Government and the other by the Australian Government).

The equity interest of the Joint Venture participants are:

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

The Joint Venture is presently being conducted in accordance with a care and maintenance budget.

* Presently three participants have agreed to remit the balance of outstanding cash calls, which total US\$235,914.

West Kampar PSC, Central Sumatra

(Oilex - 45% + further 22.5% secured, Non operator)

Oilex continues to pursue a commercial resolution to the Joint Venture dispute with the Operator in the West Kampar PSC, in parallel with considering options to enforce its Arbitration Award in Jakarta. The Pandalian Field which lies within the PSC has been managed outside of the terms of the JOA and funded by the Operator with no accounting of any production revenues to Oilex.

Following application by a creditor, the Commercial Court in Jakarta appointed an Administrator and implemented a scheme of arrangement to repay creditors over a 10 year period. As this scheme excluded Oilex's claim, Oilex has commenced legal action to recover the balance of the arbitration award and to ensure its interests are protected.

The carrying value of this investment was reduced to nil in 2012 pending resolution of this matter.

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 by the Board and forming the basis of the Company's 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 (refer note 26 of the consolidated financial statements) and its' planned future discretionary expenditure.

As at 30 June 2016 the Group had no loan borrowings.

Corporate

During the financial year, Oilex announced a two tranche placement and underwritten rights issue to raise \$30 million (Capital Raising). The Capital Raising comprised the following components:

- First tranche placement raising \$1.8 million, completed in July 2015;
- Fully underwritten rights issue raising \$7.0 million, completed in August 2015;
- Second tranche placement raising \$11.8 million, completed in August 2015; and
- An agreement with Zeta Resources Limited (Zeta) to issue deferred shares and convertible notes to raise \$9.4 million to be settled by 12 November 2015.

Zeta failed to settle the subscription for the deferred shares and the convertible notes and commenced legal action on or about 12 November 2015 against the Company in the Federal Court of Australia. On 16 December 2015 the Company filed its defence in the Federal Court proceedings initiated by Zeta. The Company also filed a cross-claim against Zeta seeking orders of specific performance requiring Zeta to perform its obligations and complete the relevant share subscription and convertible note agreements (or otherwise pay damages to the Company). The parties established standstill periods before reaching a settlement that ended the legal proceedings. The terms of the settlement were that each party will no longer pursue its claim against the other, with the legal proceedings to be dismissed on a no admission of liability basis. Oilex agreed to make a payment to Zeta on account of costs of the litigation of \$490,000.

In reaching this settlement with Zeta, Oilex has taken into account the significant costs and inherent uncertainty of litigation, and the substantial time commitments and distraction that the litigation presents for the board and management.

As at 30 June 2016 the Company had:

- Available cash resources of \$5.16 million;
- No loans or borrowings;
- Issued capital of 1,180,426,999 fully paid ordinary shares; and
- Unlisted options of 20,250,000.

The Company has dual listing on the ASX and on the Alternative Investment Market (AIM) of the London Stock Exchange, where approximately 55% of the Company's shares are domiciled.

Executive and Board Changes

On 18 November 2015 Mr Sundeep Bhandari withdrew his nomination to stand for re-election as a Director of the Company and advised that he would retire at the close of the 25 November 2015 Annual General Meeting (AGM). Shareholders at the AGM did not re-elect Mr Jeffrey Auld, and as a result, the Company needed to appoint a new director to satisfy its obligation under the Corporations Act to have a minimum of three directors. The Company announced the appointment of Mr Jonathan Salomon as an Independent Non-Executive Director of the Company effective 29 November 2015.

On 11 February 2016 the Company announced the appointment of Mr Brad Lingo as an Independent Non-Executive Director.

On 18 March 2016 the Company announced the appointment of Mr Jonathan Salomon as the Managing Director of the Company following the resignation of Mr Ron Miller.

On 10 June 2016, the Company announced the appointment of Mr Mark Bolton as Chief Financial Officer and Company Secretary. Mr Mark Bolton replaced Mr Christopher Bath as CFO and Company Secretary following his resignation on 24 May 2016.

The Board continues to review the Board composition with a view to attaining best corporate governance requirements while being cognisant of the need to conserve the cash resources of the group during this constrained economic environment for the hydro carbon industry globally.

Risk Management

Up until March 2016, the Audit and Risk Committee was responsible for the Group's internal financial control system and the Company's risk management framework. From March 2016, the full board consisting of three directors oversaw these responsibilities. Management of business risk, particularly exploration, development and operational risk is essential for success in the oil & 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 practise 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 Peter Bekkers, Chief Geoscientist employed by Oilex Ltd. Mr Bekkers has over 20 years' experience in petroleum geology and is a member of the Society of Petroleum Engineers and AAPG. Mr Bekkers 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 Bekkers 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 2016				
ASSET	LOCATION	ENTITY	EQUITY %	OPERATOR
Cambay Field PSC	Gujarat, India	Oilex Ltd	30.0	Oilex Ltd
		Oilex N.L. Holdings (India) Limited	15.0	
Bhandut Field PSC	Gujarat, India	Oilex N.L. Holdings (India) Limited	40.0	Oilex NL Holdings (India) Limited
Sabarmati Field PSC ⁽¹⁾	Gujarat, India	Oilex N.L. Holdings (India) Limited	40.0	Oilex NL Holdings (India) Limited
West Kampar PSC	Sumatra, Indonesia	Oilex (West Kampar) Limited	67.5 ⁽²⁾	PT Sumatera Persada Energi
JPDA 06-103 PSC	Joint Petroleum Development Area Timor-Leste & Australia	Oilex (JPDA 06-103) Ltd	10.0	Oilex (JPDA 06-103) Ltd
STP-EPA-0131	Western Australia	Admiral Oil Pty Ltd ⁽³⁾	100.0	Admiral Oil Pty Ltd ⁽³⁾
STP-EPA-0106	Western Australia	Admiral Oil and Gas (106) Pty Ltd ⁽³⁾	100.0 ⁽⁴⁾	Admiral Oil and Gas (106) Pty Ltd ⁽³⁾
STP-EPA-0107	Western Australia	Admiral Oil and Gas (107) Pty Ltd ⁽³⁾	100.0 ⁽⁴⁾	Admiral Oil and Gas (107) Pty Ltd ⁽³⁾

⁽¹⁾ Sabarmati Field relinquishment proposal has been submitted to the Government of India (GOI) and accepted. Formal approval for the cancellation of the Sabarmati Field PSC was received from the GOI on 26 August 2016.

⁽²⁾ Oilex (West Kampar) Limited is entitled to have assigned an additional 22.5% to its holding through the exercise of its rights under a Power of Attorney granted by PT Sumatera Persada Energi (SPE) following the failure of SPE to repay funds due. The assignment request has been provided to BPMigas (now SKKMigas) but has not yet been approved or rejected. If Oilex is paid the funds due it will not be entitled to also pursue this assignment.

⁽³⁾ Ultimate parent entity is Oilex Ltd.

⁽⁴⁾ Current status is a Preferred Applicant.

**2016 FINANCIAL REPORT
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For the year ended 30 June 2016

The directors 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 2016 and the auditors' report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Mr Max Cozijn

(Non-Executive Chairman)

BCom CPA MAICD

Chairman since the Company listed on the Australian Securities Exchange (ASX) in 2003, having been the founding director of Oilex Ltd. Mr Cozijn has a Bachelor of Commerce degree from the University of Western Australia, is a member of CPA Australia and is a member of the Australian Institute of Company Directors. Mr Cozijn has over 35 years of experience in the administration of listed mining and industrial companies and is the Non-Executive Chairman of Jacka Resources Limited and is a director of various private companies.

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

- Jacka Resources Limited (from May 2014 to current)
- Energia Minerals Limited (from May 1997 to June 2016)
- Malagasy Minerals Limited (from September 2006 to August 2013)
- Carbon Energy Limited (from September 1992 to April 2015)

Mr Bradley Lingo

(Non-Executive Director - appointed 11 February 2016)

Bachelor of Arts with Honours, Juris Doctorate, MAICD

Mr Lingo was appointed as a Non-Executive Director in February 2016. Mr Lingo has more than 30 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, the Commonwealth Bank of Australia and Drillsearch Energy Limited. He is currently the Managing Director and CEO of Elk Petroleum Limited.

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

- Elk Petroleum Limited (from August 2015 to current)
- Drillsearch Energy Limited (from May 2009 to July 2015)
- Acer Energy Limited (from November 2012 to July 2015)
- Ambassador Oil and Gas Limited (from August 2014 to July 2015)

Mr Jonathan Salomon

(Managing Director - appointed 18 March 2016)

(Non-Executive Director - appointed 29 November 2015 to 17 March 2016)

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 30 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 Director's Report.

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

Mr Sundeep Bhandari

(Non-Executive Vice Chairman - until 25 November 2015)

BCom

Mr Bhandari was appointed as a Director (Vice Chairman) in November 2011. Mr Bhandari has over 32 years of business experience in India, of which more than 22 years have been in the energy business working with Cairn Energy, Mobil, Marathon, ENI, PGS and Command Petroleum. Mr Bhandari is also a director and shareholder of India Hydrocarbons Ltd. Mr Bhandari retired at the Annual General Meeting (AGM) on 25 November 2015.

During the last three years, up to the date of his resignation, Mr Bhandari has not been a director of any other listed companies.

Mr Jeffrey Auld

(Non-Executive Director - until 25 November 2015)

MBA BA (Econ)

Mr Auld was appointed as a UK based Director in January 2015. Mr Auld has over 25 years of experience in the oil and gas sector, focused on financial and commercial management in upstream oil and gas development. Mr Auld's experience includes corporate and commercial management in exploration and production companies. Mr Auld currently is a director of AIM listed Lansdowne Oil and Gas plc. Mr Auld was not re-elected at the Annual General Meeting on 25 November 2015.

During the last three years Mr Auld, up to the date of his resignation, has not been a director of any other listed companies.

Mr Ronald Miller

(Managing Director - resigned 18 March 2016)

MSc Engineering and BSc Ocean Engineering, MAICD (Retired Chartered Engineer)

Initially appointed as a Non-Executive Director in July 2009, Mr Miller was appointed Managing Director on 1 January 2013. A chartered professional engineer (1989 - 2011), Mr Miller has more than 40 years of experience in the international petroleum industry. Mr Miller resigned from the Board in March 2016.

During the last three years, up to the date of his resignation, Mr Miller has not been a director of any other listed companies.

COMPANY SECRETARIES

Mr Mark Bolton B Bus was appointed Company Secretary on 10 June 2016.

Mr Cathal Smith LLB, LLM, MBA was appointed interim Company Secretary on 24 May 2016 until 25 August 2016 and consults as Legal Counsel and Commercial Manager.

Mr Chris Bath CA MAICD was Company Secretary and Chief Financial Officer from 24 October 2014 until his resignation on 24 May 2016.

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, committee membership and directors' attendance at meetings during the 2015/16 financial year are as follows:

	Board Meetings		Audit and Risk Committee Meetings ⁽¹⁾		Remuneration and Nomination Committee Meetings ⁽¹⁾	
	Held ⁽²⁾	Attended	Held ⁽²⁾	Attended	Held ⁽²⁾	Attended
M D J Cozijn	18	18	1	1	-	-
B Lingo ⁽³⁾	9	9	-	-	-	-
J Salomon ⁽⁴⁾	11	11	-	-	-	-
S Bhandari ⁽⁵⁾	7	6	1	1	-	-
J D Auld ⁽⁶⁾	7	7	1	1	-	-
R L Miller ⁽⁷⁾	14	13	-	1 ⁽⁸⁾	-	-

⁽¹⁾ Please refer to the Corporate Governance Statement on the Oilex website for details of the changes to the composition of the Committees during the financial year, following the changes to the Board at the Annual General Meeting on 25 November 2015, the full Board performs the function of these Committees.

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

⁽³⁾ Appointed as Non-Executive Director 11 February 2016

⁽⁴⁾ Appointed as Non-Executive Director 29 November 2015 and Managing Director on 18 March 2016

⁽⁵⁾ Non-Executive Director did not stand for re-election at the Annual General Meeting on 25 November 2015

⁽⁶⁾ Non-Executive Director not re-elected at Annual General Meeting on 25 November 2015

⁽⁷⁾ Resigned as Managing Director 18 March 2016

⁽⁸⁾ Attended indicates attendance by invitation. Where a director is not a member of a Committee but attended meetings during the period only the number of meetings attended, rather than held, is disclosed.

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 Committees. 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 the time.

EXECUTIVE MANAGEMENT

Mr Jonathan Salomon

(Managing Director - appointed 18 March 2016)

(Non-Executive Director - appointed 29 November 2015 to 17 March 2016)

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, Petroleum Exploration Society of Australia, South East Asian Petroleum Exploration Society and has over 30 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 & Company Secretary - appointed 10 June 2016)

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 Jayant Sethi

(Head - India Assets)

Geology (Masters)

Mr Sethi joined Oilex in February 2015 as Head - India Assets and is based in Gandhinagar India. Mr Sethi has over 31 years of experience in the Indian oil and gas upstream industry. Mr Sethi previously held senior management positions with Cairn Energy Ltd and the Oil & Natural Gas Corporation, India's national oil company in areas of exploration, development, portfolio evaluation, joint venture management, procurement supply chain and enhanced oil recovery.

Mr Peter Bekkers

(Chief Geoscientist)

BSC (Hons) Geology and Geophysics

Mr Bekkers joined Oilex in 2007 as the Senior Explorationist. He has over 20 years of experience in Australian and international oil and gas exploration activities including the Far East, Middle East, West Africa and South East Asia. Prior to joining Oilex, Mr Bekkers held various roles with Woodside Energy Ltd, Santos Ltd and Boral Energy Ltd in exploration and new ventures evaluation. Mr Bekkers was appointed Chief Geoscientist for Oilex in April 2010.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of 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 these activities during the year.

OPERATING RESULTS

The loss after income tax of the consolidated entity for the year ended 30 June 2016 amounted to \$36,154,111 (2015: loss of \$17,388,524). The increase in the loss was principally due to \$10,023,940 for the non-cash impairment of development assets (2015: Nil) and \$11,572,740 for the non-cash impairment of exploration and evaluation assets in the current year (2015: \$11,870,051). Exploration expenses of \$3,972,848 (2015: 1,304,057) have increased by \$2,668,791 due to expenditure on the Cambay Project. Administration expenses of \$5,648,298 (2015: \$3,078,163) have increased primarily due to the reduced recovery of costs from Joint Ventures and costs associated with the Zeta Resources Limited litigation.

FINANCIAL POSITION

The net assets of the consolidated entity totalled \$9,328,974 as at 30 June 2016 (2015: \$26,603,951).

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 3 to 16 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.

SIGNIFICANT EVENTS AFTER BALANCE DATE

As announced to the market on 29 September 2016, subsequent to year end, the Board resolved to implement an organisation restructure in order to reduce costs. The planned changes include:

- an overall reduction in the number of personnel;
- a reduction in salaries and wages for existing personnel;
- review of commercial operations at Cambay and Bhandut Fields;
- careful management of planned drilling and project costs; and
- deferral of all non-essential expenditure.

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

LIKELY DEVELOPMENTS

Additional comments on expected results on operations of the Group are included in the Review of Operations on pages 3 to 16.

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.

FINANCIAL POSITION

Capital Structure and Treasury Policy

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

	Number of Shares	Gross Amount Raised \$
July 2015 - first tranche placement	45,393,463	1,861,132
August 2015 - rights issue	169,476,565	6,948,539
18 August 2015 - second tranche placement	287,303,319	11,779,436
Conversion of \$0.15 listed options during the year	347,613	52,142
Total	502,520,960	20,641,249

At the date of this report, the Company had a total issued capital of 1,180,426,999 ordinary shares and 17,250,000 unlisted options exercisable at prices between \$0.15 and \$0.35 per share.

As at 30 June the Group had no loan borrowings.

Emphasis of Matter

The audit opinion for the year ended 30 June 2016 contains an emphasis of matter in relation to the potential uncertainty regarding continuation as a going concern. The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business. The Group will require funding in order to continue its exploration activities and progress the Cambay Field drilling programme.

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

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

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.

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		Number of Options Over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
M D J Cozijn	-	1,848,218	-	-
B Lingo	-	-	-	-
J Salomon	-	-	-	-

SHARE OPTIONS

Unissued shares under options

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

Expiry Date	Exercise Price	Number of Shares	Expiry Date	Exercise Price	Number of Shares
Unlisted Options			Unlisted Options		
4 November 2016	\$0.15	2,000,000	11 November 2017	\$0.25	2,000,000
11 November 2016	\$0.15	2,000,000	22 December 2017	\$0.10	5,000,000
5 December 2016	\$0.15	3,000,000	16 February 2018	\$0.25	500,000
27 June 2017	\$0.25	500,000	5 August 2018	\$0.35	875,000
5 August 2017	\$0.25	875,000	16 February 2019	\$0.35	500,000
Total					17,250,000

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 options expired or were cancelled upon cessation of employment:

Date Lapsed	Number	Exercise Price
28 July 2015	150,000	\$0.25
5 August 2015	75,000	\$0.63
18 August 2015	250,000	\$0.15
18 August 2015	350,000	\$0.25
19 November 2015	4,000,000	\$0.15
17 December 2015	3,000,000	\$0.15
8 March 2016	5,000,000	\$0.25
6 May 2016	200,000	\$0.25
6 May 2016	200,000	\$0.35
27 June 2016	500,000	\$0.15
Total	13,725,000	

Shares issued on exercise of unlisted options

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of unlisted options.

Shares issued on exercise of listed options

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

	Number of Shares	Amount Paid on Each Share
During the financial year	347,613	\$0.15
Since the end of the financial year	-	-

On 7 September 2015, all the remaining 188,248,858 listed \$0.15 options issued by the Company expired unexercised.

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 23 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 2016 has been received and can be found on page 41.

REMUNERATION REPORT - AUDITED

A Nomination and Remuneration Committee was established by the Board on 12 August 2015, incorporating the role of the previously established Remuneration Committee, to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration. The Nomination and Remuneration Committee is responsible for the review and recommendation to the Board, of the Company's Remuneration Policy, senior executives' remuneration, the remuneration framework for directors, superannuation arrangements, incentive plans and remuneration reporting.

The Nomination and Remuneration Committee obtains advice on the appropriateness of compensation packages of both the Company and the Group given trends in comparative companies both locally and internationally and the objectives of the Group's compensation strategy to ensure that the Company can set competitive remuneration to attract, retain and motivate executive directors and senior executives.

Following changes to the Board at the Annual General meeting on 25 November 2015, the appointment of a new managing director in March 2016, and the subsequent decrease in the number of non-executive directors in March 2016 to two directors, the Board resolved in June 2016 that it would perform the function of the Nomination and Remuneration Committee.

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.

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.

In January 2016 following a review of cost reduction initiatives, the Board resolved to reduce the remuneration of Non-Executive Directors, the Managing Director and employees by 10% effective from 1 February 2016.

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 or motivation, consider the use of short-term incentives.

1. PRINCIPLES OF COMPENSATION (CONTINUED)

Short-term incentive bonus (continued)

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.

The Board appointed Mr Jonathan Salomon as Managing Director on 18 March 2016 for an initial term of one year. The Board included the following STI's in the remuneration package of Mr Salomon, conditional upon shareholder approval.

1. \$100,000 in Oilex shares, if by 18 March 2017 the Company implements an agreed programme for the recovery of the joint venture receivables owed to the Company by its joint venture partners as at 31 December 2015 in full, and a drilling campaign undertaken at Cambay field is completed in accordance with an approved work programme and budget.
2. \$100,000 in Oilex shares upon resolution of the Zeta Resources Limited litigation.

If shareholder approval is not granted in respect of the above two key performance indicators (KPI's) then these special funding awards will be payable in cash. The pricing of the Oilex shares is to be based on the 20 day VWAP for OEX on the ASX in the 20 trading days preceding the meeting of shareholders to approve such awards.

Oilex announced the settlement of the litigation with Zeta Resources Limited on 8 June 2016. The fully vested short-term incentive awarded to Mr Salomon in the current year of \$100,000 was accrued as compensation, if shareholder approval is not granted, this special funding award will be payable in cash in the following year.

During the year no cash performance bonuses were granted to any employee.

Long-term incentive bonus

Long-term incentives include retention rights and options and are issued at the discretion of the Board.

The issue of options is designed to allow the Group to attract and retain talented employees. The issue of options aims to closely align the interests of senior executives and employees with those of shareholders and create a link between increasing shareholder value and employee reward. Any options issued to senior executives are issued under the Australian Securities Exchange Rule 7.1.

The Company did not issue any options to senior executives or staff during the year.

Whilst the Company moved certain assets to development in the last financial year, 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 Remuneration Committee 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.

	2016	2015	2014	2013	2012
Share Price (cents)	1.0	6.1	11.5	5.0	11.0

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 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 or options to directors.

The Board granted the incoming Managing Director, Mr Salomon a possible retention award of 2 million retention rights to fully paid ordinary shares in the Company, if Mr Salomon's employment with the Company is extended beyond the initial one-year term, expiring on 18 March 2017, with the issue of these being subject to shareholder approval.

No non-executive directors have been granted any share rights or unlisted options in this financial year. During the year no long-term incentives were granted to any employee.

1. PRINCIPLES OF COMPENSATION (CONTINUED)

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.

The Board resolved to reduce the remuneration of Non-Executive Directors by 10% effective from 1 February 2016.

The Chairman's base annual fee including superannuation was set at \$87,200 on 1 July 2009 and remained unchanged, other than to include the legislated increases to the superannuation guarantee levy, until 1 February 2016, when it was reduced to \$78,840.

The Vice Chairman's base annual fee including superannuation was set at \$65,400 on 29 July 2011 and remained unchanged up to 25 November 2015, when this position was vacated.

The company's United Kingdom based Non-Executive Director Mr Auld annual fee was set at £45,000 in January 2015. Mr Auld was not re-elected. The Company has not appointed any new overseas based directors.

The Company set the base fee for Australian based Non-Executive Directors at \$50,000 per annum, plus statutory superannuation, together with an additional fee of \$25,000 to compensate for any expected additional time commitments. The fees paid to Non-Executive Directors appointed after 1 February 2016 are subject to the 10% reduction.

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.

Gross fees paid to India Hydrocarbons Limited (IHL), a related party of Mr Bhandari, are for consultancy services provided in addition to directorial services and therefore are not part of the fixed component. Payments made for consultancy services to IHL are for services undertaken under a consultancy contract with the Company negotiated effective from 1 May 2006, six years prior to Mr Bhandari becoming a Non-Executive Director on 9 November 2011. The gross annual amounts paid of \$34,327 (2015: \$161,059) relating to consultancy services are disclosed in the key management personnel disclosures in the Related Parties note 27 to the Consolidated Financial Statements. The Group's share of these fees of \$34,327 (2015 \$77,845) are disclosed in other related party transactions in the Related Parties note 27 to the Consolidated Financial Statements. The balance of 0% (2015: 52%) is payable by the Joint Operations.

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. PRINCIPLES OF COMPENSATION (CONTINUED)

1.5 Managing Director Sign On and Retention Awards

The table below sets out the special funding and retention awards granted to Mr Salomon as part of his employment contract. The retention award was issued free of charge and enables the holder to subscribe for one fully paid ordinary share in the Company per retention right.

Terms and Conditions of Each Grant						
2016	Number of Shares Granted	Number of Shares Vesting in the Year ⁽¹⁾	Percentage of Cumulative Shares Vested (%)	Service Commencement Date / Grant Date	Value at Grant Date ⁽²⁾	Exercise Price
J Salomon	-	-	-	18 March 2016	\$100,000	Nil
Total	-	-				

- (1) For accounting purposes under AASB 2 *Share Based Payments* the granting of \$100,000 in Oilex shares upon the resolution of the Zeta Resources Limited litigation, subject to shareholder approval has been treated as vested for the year ended 30 June 2016.

The granting of \$100,000 in Oilex shares upon recovery of the joint venture partner's outstanding receivable and progressing of the drilling of the next well at Cambay by 18 March 2017, subject to shareholder approval, and the 2,000,000 retention rights that may be granted, should Oilex elect to extend and Mr Salomon elects to enter a subsequent term of employment, also subject to shareholder approval, have been treated as not vested.

- (2) The Zeta litigation settlement was announced by the Company on 8 June 2016, with \$100,000 expensed to 30 June 2016. For accounting purposes under AASB 2 *Share-based Payment* where the grant date occurs after year end (upon shareholder approval), the fair value of the grant is estimated at the end of the reporting period 30 June 2016. If shareholder approval is not granted, then this award will be payable in cash.

1.6 Remuneration Consultants

There were no remuneration recommendations made in relation to key management personnel by remuneration consultants in the financial year ended 30 June 2016.

1.7 Adoption of year ended 30 June 2015 Remuneration Report - First Strike recorded based on a poll

At the Annual General Meeting held 25 November 2015 Resolution 1, the adoption of the Remuneration Report, was put to a poll with greater than 25% of votes cast against this resolution. This resulted in a first strike being recorded.

The Board has adopted a number of actions in response to the first strike.

In January 2016, the Board resolved to reduce the remuneration of the Non-Executive Directors, the Managing Director and Australian based employees employed at date of this resolution by 10% effective from 1 February 2016.

The number of directors has been reduced from four to three.

The remuneration package for the Chief Financial Officer position was further reduced following the resignation of Mr Bath in May 2016. The remuneration package upon appointment, for the Chief Financial Officer Mr Bolton was \$250,000 plus superannuation.

No STI cash bonuses or LTI unlisted options have been granted to key management personnel or staff in the current year.

Detailed explanatory notes in relation to the Remuneration Table have been included.

1. PRINCIPLES OF COMPENSATION (CONTINUED)

1.8 Subsequent Changes to Key Management Personnel Remuneration

On 29 September 2016, the Company announced that it would implement a second expanded organisation restructure in order to further reduce costs.

The Non-Executive Directors base fees, reduced by 10% in February 2016, will now be reduced by a further 10% effective 1 October 2016. The additional annual fee of \$25,000 to compensate Mr Lingo for any expected additional time commitments ceased 1 July 2016.

The Managing Director, Mr Salomon has agreed to reduce his base salary by 22.3% effective 1 October 2016.

The Head of India Assets, Mr Sethi has agreed to reduce his base salary by 18% effective 1 October 2016.

The Chief Financial Officer, Mr Bolton has agreed to reduce his base salary by 5% effective 1 October 2016.

The Chief Geoscientist, Mr Bekkers ceased employment effective 30 September 2016.

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	Unvested Options on Resignation	Termination Notice Required from the Company ⁽¹⁾	Termination Payment
J Salomon	Managing Director	18 March 2016	18 March 2017 ⁽²⁾	3 months	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 current fixed annual remuneration is \$350,000. Subject to the <i>Corporations Act 2001</i> and any necessary approvals required thereunder.
M Bolton	Chief Financial Officer and Company Secretary	3 June 2016	31 May 2017 ⁽³⁾	3 months	Forfeited	3 months	For termination by the Company, three months' salary.
P Bekkers	Chief Geoscientist	6 March 2007	n/a	1 month	Forfeited	1 month	For termination by the Company, one months' salary plus any accrued leave entitlement. If a Material Change Event occurs, employee may give notice to the Company within 60 days of the Material Change Event, terminating the Contract of Employment and following that effective date, the Company will pay a Termination Payment equal to \$125,000.
J Sethi	Head - India Assets	16 February 2015	n/a	1 month	Forfeited	30 days	For termination by the Company, one months' salary plus any accrued leave entitlement.

⁽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 an initial term of one year, expiring 18 March 2017 which can be extended by mutual agreement between the Company and Mr Salomon.

⁽³⁾ The Chief Financial Officer's contract has an initial term of one year, expiring 31 May 2017 which can be extended by mutual agreement between the Company and Mr Bolton.

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:

	Year	Short-Term				Post-Employment Superannuation Benefits	Other Long-Term Benefits ⁽³⁾	Termination Benefits	Share-based Payments	Total	Proportion of Remuneration Performance Related %
		Salary & Fees	STI Cash Bonus ⁽¹⁾	Benefits (including Non- Monetary) ⁽²⁾	Total				Options and Rights ⁽⁴⁾		
		\$	\$	\$	\$	\$	\$	\$	\$		
Non-Executive Directors											
M D J Cozijn ⁽⁵⁾	2016	76,667	-	-	76,667	7,283	-	-	-	83,950	-
Chairman	2015	104,000	-	-	104,000	9,880	-	-	-	113,880	-
B Lingo ⁽⁶⁾	2016	26,185	-	-	26,185	2,488	-	-	-	28,673	-
Non-Executive Director	2015	-	-	-	-	-	-	-	-	-	-
S Bhandari ⁽⁷⁾	2016	61,577	-	-	61,577	-	-	-	-	61,577	-
Vice Chairman	2015	226,459	-	-	226,459	-	-	-	-	226,459	-
J D Auld ⁽⁸⁾	2016	39,853	-	-	39,853	-	-	-	-	39,853	-
Non-Executive Director	2015	39,285	-	-	39,285	-	-	-	-	39,285	-
Executive Directors											
J Salomon ⁽⁹⁾	2016	113,741	-	3,103	116,844	10,805	9,310	-	100,000	236,959	42%
Managing Director	2015	-	-	-	-	-	-	-	-	-	-
R L Miller ⁽¹⁰⁾	2016	295,659	-	3,915	299,574	-	-	69,000	-	368,574	-
Managing Director	2015	451,521	-	6,380	457,901	9,104	-	-	-	467,005	-
Executives											
M Bolton ⁽¹¹⁾	2016	19,180	-	420	19,600	1,822	-	-	-	21,422	-
Chief Financial Officer / Company Secretary	2015	-	-	-	-	-	-	-	-	-	-
P Bekkers ⁽¹²⁾	2016	288,460	-	5,555	294,015	27,404	29,382	-	5,376	356,177	2%
Chief Geoscientist	2015	294,443	-	2,352	296,795	30,347	21,614	-	101,001	449,757	22%
J Sethi ⁽¹³⁾	2016	272,784	-	-	272,784	30,268	9,808	-	5,691	318,551	2%
Head - India Assets	2015	84,545	-	9,467	94,012	9,308	-	-	10,915	114,235	10%
C Bath ⁽¹⁴⁾	2016	289,628	-	4,935	294,563	22,917	-	22,095	26,537	366,112	7%
Chief Financial Officer / Company Secretary	2015	280,067	-	1,733	281,800	-	13,862	-	293,044	588,706	50%
Total	2016	1,483,734	-	17,928	1,501,662	102,987	48,500	91,095	137,604	1,881,848	
Total	2015	1,480,320	-	19,932	1,500,252	58,639	35,476	-	404,960	1,999,327	

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 Mr Sethi are employed by the parent entity. Refer to the following explanatory notes for additional information.

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

Notes in Relation to the Table of Directors' and Executive Officers' Remuneration

- (1) The amount represents the STI earned in the respective year ended 30 June. There were no cash bonuses granted in 2016.
- (2) Benefits, including non-monetary include relocation costs and related expenses, as well as minor benefits, such as payments on behalf of employees considered personal, car parking and any associated fringe benefits tax.
- (3) Includes, where applicable, accrued employee leave entitlements.
- (4) All share-base payment disclosures, other than for Mr Salomon, relate to unlisted options.

The fair value of the options is calculated at the date of grant using the Black-Scholes Model. The fair value of the options is allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated in each reporting period. In valuing the options, market conditions have been taken into account.

No options were issued to key management personnel and executives as remuneration during the year ended 30 June 2016.

The value of Mr Salomon's share based payments expense is \$100,000 in Oilex shares, subject to shareholder approval (refer note 9).

- (5) Mr Cozijn's remuneration reflects the resolution by the Board resolved to reduce the remuneration of Non-Executive Directors, the Managing Director and employees by 10% effective from 1 February 2016. Mr Cozijn received additional remuneration during the previous financial year of \$24,000 plus 9.5% superannuation in relation to extra duties undertaken for Oilex (West Kampar) Limited.
- (6) Mr Lingo was appointed a Non-Executive Director on 11 February 2016.
- (7) Mr Bhandari was appointed a Non-Executive Director on 9 November 2011 and was a Director to 25 November 2015. Prior to this appointment, India Hydrocarbons Limited (IHL) provided consultancy services to the Group, which continue to be provided until Mr Bhandari stood down at the Annual General Meeting. Mr Bhandari's salary and fees consist of director fees of \$27,250 (2015: \$65,400) and the IHL consultancy service fees, the majority of work which is undertaken by Mr Bhandari, of \$34,327 (2015: \$161,059). The net cost to the Group (after Joint Operations recoveries) in relation to the consultancy service was \$34,327 (2015: \$77,845).
- (8) Mr Auld was a Non-Executive Director from 27 January 2015 until the Annual General Meeting held 25 November 2015 at which he was not re-elected. Mr Auld is based in the United Kingdom and was paid £45,000 per annum. The amount disclosed is the pro rata amount converted into Australian dollars at the applicable exchange rate at the date of payment.

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

Notes in Relation to the Table of Directors' and Executive Officers' Remuneration

- (9) On 18 March 2016 Mr Salomon was appointed Managing Director, with a fixed annual remuneration of \$350,000 per annum, inclusive of statutory superannuation, prior to this Mr Salomon was a Non-Executive Director appointed 29 November 2015. The amount paid for Managing Director fees since 18 March 2016 was \$104,028, including non-monetary benefits of \$3,103. The amount paid for Non-Executive Director fees from 29 November 2015 to 17 March 2016 was \$23,621 and reflects the resolution by the Board resolved to reduce the remuneration of Non-Executive Directors, the Managing Director and employees by 10% effective from 1 February 2016.

Upon appointment as Managing Director, Mr Salomon was granted the following three initial funding and retention awards, conditional upon shareholder approval:

- \$100,000 in Oilex shares upon resolution of the Zeta Resources Limited litigation. This performance condition was achieved as at 8 June 2016.
- \$100,000 in Oilex shares in respect of recovery of joint venture partner's outstanding receivables and progressing of the drilling of the next well at Cambay within the Term. This performance condition has not been achieved as at the date of this report.

If shareholder approval is not granted in respect of the above two KPI's then these Awards will be payable in cash. The pricing of the Oilex shares will be based on the 20 day VWAP for OEX on ASX in the 20 days preceding the meeting of shareholders to approve such awards.

- Granting of 2,000,000 Retention Rights to shares at no cost if Mr Salomon and the Company agree that Mr Salomon will enter into a subsequent term of employment as Managing Director. The award of these rights to shares are subject to shareholder approval.

Shareholder approval is expected to be sought at the AGM in November 2016.

- (10) Mr Miller resigned as Managing Director on 18 March 2016. Included in the \$295,659 (2015: \$451,521) invoiced to the Group for his services as Managing Director, was \$99,000 (2015: \$190,000) in the current year to compensate for additional time spent overseas. Although the Board resolved to reduce the remuneration of Non-Executive Directors, the Managing Director and employees by 10% effective from 1 February 2016, Mr Miller reduced his Managing Director fee by 10% effective 1 January 2016. The Board approved the payment of \$69,000 representing the total of Mr Miller's accrued entitlements and termination payments on 18 March 2016.
- (11) On 10 June 2016 Mr Bolton became key management personal following his appointment on 3 June 2016.
- (12) Mr Bekkers remuneration reflects the resolution by the Board resolved to reduce the remuneration of Non-Executive Directors, the Managing Director and employees by 10% effective from 1 February 2016.
- (13) Mr Sethi became key management personnel on 16 February 2015 and is based in India. Mr Sethi's remuneration disclosed in 2016 is for the full year. Mr Sethi's remuneration has been converted from Indian Rupees at the average exchange rate for the year.
- (14) Mr Bath resigned 24 May 2016. Mr Bath's remuneration reflects the resolution by the Board resolved to reduce the remuneration of Non-Executive Directors, the Managing Director and employees by 10% effective from 1 February 2016. Mr Bath's termination payment consisted of his accrued leave entitlements.

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

SHARES

There were no ordinary shares in the Company issued as compensation to key management personnel during the financial year.

OPTIONS

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

4.1 Options Over Equity Instruments Granted as Compensation

Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the financial year and details on options that vested during the financial year are as follows:

	Number of Options Granted	Grant Date	Fair Value of Options at Grant Date	Exercise Price of Options Granted	Expiry Date of Options Granted	Number of Options Vested
P Bekkers	500,000	5 August 2014	\$0.11	\$0.35	05 August 2018	500,000
J Sethi	500,000	16 February 2015	\$0.02	\$0.35	16 February 2019	500,000
C Bath ⁽¹⁾	1,500,000	25 August 2014	\$0.12	\$0.35	25 August 2019	1,500,000

⁽¹⁾ Mr Bath resigned 24 May 2016 and held 3,000,000 vested and exercisable unlisted options at date of resignation. These options expired 24 August 2016.

With the exception of options that have vested, which can be retained by the employee in accordance with the timeframes in the option terms and conditions, all options expire on the earlier of their expiry date or termination of the individual's employment. Options that have vested can be retained by directors until expiry date, and do not expire on termination of employment. Further details, including grant dates and exercise dates regarding options granted to key management personnel are in note 19 to the Consolidated Financial Statements.

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

No 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. EQUITY INSTRUMENTS (CONTINUED)

4.5 Details of Equity Incentives Affecting Current and Future Remuneration

Details of vesting profiles of the options held by each key management person of the Group are detailed below:

	Number of Options	Exercise Price	Grant Date	% Vested in Year	% Lapsed in Year ⁽¹⁾	Financial Years in Which Grant Vests
J Salomon ⁽²⁾	-	-	-	-	-	-
M D J Cozijn	-	-	-	-	-	-
B Lingo ⁽³⁾	-	-	-	-	-	-
S Bhandari ⁽⁴⁾	-	-	-	-	-	-
J Auld ⁽⁵⁾	-	-	-	-	-	-
R L Miller ⁽⁶⁾	-	-	-	-	-	-
M Bolton ⁽⁷⁾	-	-	-	-	-	-
P Bekkers	500,000	\$0.25	5 August 2014	100%	-	30 June 2016
J Sethi	500,000	\$0.25	16 February 2015	100%	-	30 June 2016
C Bath ⁽⁸⁾	1,500,000	\$0.25	25 August 2014	100%	-	30 June 2016

(1) The number of options lapsed also includes relinquished options.

(2) Mr Salomon appointed 29 November 2015 as a Non-Executive Director and as Managing Director 18 March 2016.

(3) Mr Lingo appointed 11 February 2016.

(4) Mr Bhandari did not stand for re-election at the Annual General Meeting on 25 November 2015.

(5) Mr Auld was not re-elected at the Annual General Meeting on 25 November 2015.

(6) Mr Miller resigned 18 March 2016. Mr Miller held 6,000,000 vested and exercisable options at date of resignation.

(7) Mr Bolton appointed 3 June 2016.

(8) Mr Bath resigned 24 May 2016. Mr Bath held 3,000,000 vested and exercisable unlisted options at date of resignation. These options expired 24 August 2016.

Options issued to directors vest on date of grant. All options that have vested can be retained by the director upon resignation or termination of employment.

The options issued to employees can, upon resignation or termination of employee be retained by the employee within three months from the date on which the employee ceases employment. All unvested options will lapse upon resignation or termination of employment prior to the option's vesting date.

4. EQUITY INSTRUMENTS (CONTINUED)

4.6 Analysis of Movements in Equity Instruments

The movement during the financial year of unlisted options over ordinary shares in the Company held by each key management person is detailed below:

	Value of Options Granted in Year ⁽¹⁾	Value of Options Exercised in Year	Number of Options Lapsed in Year ⁽²⁾
J Salomon ⁽³⁾	-	-	-
M D J Cozijn	-	-	-
B Lingo ⁽⁴⁾	-	-	-
S Bhandari ⁽⁵⁾	-	-	4,000,000
J D Auld ⁽⁶⁾	-	-	-
R L Miller ⁽⁷⁾	-	-	-
M Bolton ⁽⁸⁾	-	-	-
P Bekkers	-	-	500,000
J Sethi	-	-	-
C Bath ⁽⁹⁾	-	-	-

⁽¹⁾ The value of options granted in the year is the fair value of the options calculated at grant date using the Black-Scholes Model. This amount is allocated to remuneration over the vesting period.

⁽²⁾ The number of options lapsed also includes relinquished options.

⁽³⁾ Mr Salomon appointed 29 November 2015 as a Non-Executive Director and as Managing Director 18 March 2016.

⁽⁴⁾ Mr Lingo appointed 11 February 2016.

⁽⁵⁾ Mr Bhandari did not stand for re-election at the Annual General Meeting on 25 November 2015.

⁽⁶⁾ Mr Auld was not re-elected at the Annual General Meeting on 25 November 2015.

⁽⁷⁾ Mr Miller resigned 18 March 2016.

⁽⁸⁾ Mr Bolton appointed 3 June 2016.

⁽⁹⁾ Mr Bath resigned 24 May 2016.

4. EQUITY INSTRUMENTS (CONTINUED)

4.7 Options over Equity Instruments Granted as Compensation

No unlisted options held by key management personnel are vested but not exercisable. The movement during the financial year in the number of options over 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 2015	Granted as Compensation	Exercised	Other Changes ⁽¹⁾	Held at 30 June 2016	Vested During the Year	Vested and Exercisable at 30 June 2016
J Salomon ⁽²⁾	n/a	-	-	-	-	-	-
M D J Cozijn	-	-	-	-	-	-	-
B Lingo ⁽³⁾	n/a	-	-	-	-	-	-
S Bhandari ⁽⁴⁾	4,000,000	-	-	(4,000,000)	n/a	-	-
J D Auld ⁽⁵⁾	-	-	-	-	n/a	-	-
R L Miller ⁽⁶⁾	6,000,000	-	-	-	n/a	-	n/a
M Bolton ⁽⁷⁾	n/a	-	-	-	-	-	-
P Bekkers	2,000,000	-	-	(500,000)	1,500,000	500,000	1,500,000
J Sethi	1,000,000	-	-	-	1,000,000	500,000	1,000,000
C Bath ⁽⁸⁾	3,000,000	-	-	-	n/a	1,500,000	n/a

⁽¹⁾ Other changes represent options that expired or were forfeited during the year. The 4,000,000 options relinquished 19 November 2015 were granted during the financial year ended 30 June 2014. The 500,000 options that lapsed were granted during the financial year ended 30 June 2013.

⁽²⁾ Mr Salomon appointed 29 November 2015 as a Non-Executive Director and as Managing Director 18 March 2016.

⁽³⁾ Mr Lingo appointed 11 February 2016.

⁽⁴⁾ Mr Bhandari did not stand for re-election at the Annual General Meeting on 25 November 2015.

⁽⁵⁾ Mr Auld was not re-elected at the Annual General Meeting on 25 November 2015.

⁽⁶⁾ Mr Miller resigned 18 March 2016. Mr Miller held 6,000,000 vested and exercisable unlisted options at date of resignation. 4,000,000 options will expire November 2016 and 2,000,000 will expire November 2017.

⁽⁷⁾ Mr Bolton appointed 3 June 2016.

⁽⁸⁾ Mr Bath resigned 24 May 2016. Mr Bath held 3,000,000 vested and exercisable unlisted options at date of resignation. These options will expire 24 August 2016.

5. KEY MANAGEMENT PERSONNEL TRANSACTIONS

5.1 Other Transactions with Key Management Personnel

Two key management persons, Mr Miller and Mr Bhandari, or their related parties, hold positions in other entities that result in them having control or joint control over the financial or operation policies of those entities.

These entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

These transactions have all been disclosed in the remuneration table.

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 2015	Received on Exercise of Options	Other Changes ⁽¹⁾	Held at 30 June 2016
J Salomon ⁽²⁾	n/a	-	-	-
M D J Cozijn	1,646,340	-	201,878	1,848,218
B Lingo ⁽³⁾	n/a	-	-	-
S Bhandari ⁽⁴⁾	8,600,000	-	-	n/a
J D Auld ⁽⁵⁾	-	-	1,219,513	n/a
R L Miller ⁽⁶⁾	6,151,388	-	365,854	n/a
M Bolton ⁽⁷⁾	n/a	-	-	-
P Bekkers	400,000	-	243,903	643,903
J Sethi	-	-	-	-
C Bath ⁽⁸⁾	1,951,220	-	3,390,441	n/a

⁽¹⁾ Other changes represent shares that were purchased or sold during the year and includes participation in August 2015 Rights Issue and Share Placement.

⁽²⁾ Mr Salomon appointed 29 November 2015 as a Non-Executive Director and as Managing Director 18 March 2016.

⁽³⁾ Mr Lingo appointed 11 February 2016.

⁽⁴⁾ Mr Bhandari did not stand for re-election at the Annual General Meeting on 25 November 2015.

⁽⁵⁾ Mr Auld was not re-elected at the Annual General Meeting on 25 November 2015.

⁽⁶⁾ Mr Miller resigned 18 March 2016.

⁽⁷⁾ Mr Bolton appointed 3 June 2016.

⁽⁸⁾ Mr Bath resigned 24 May 2016.

5. KEY MANAGEMENT PERSONNEL TRANSACTIONS (CONTINUED)

5.3 Movements in Listed Options

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

	Held at 1 July 2015	Purchased	Other Changes ⁽¹⁾	Held at 30 June 2016
J Salomon ⁽²⁾	n/a	-	n/a	-
M D J Cozijn	200,000	-	(200,000)	-
B Lingo ⁽³⁾	n/a	-	n/a	-
S Bhandari ⁽⁴⁾	-	-	-	n/a
J D Auld ⁽⁵⁾	-	-	-	n/a
R L Miller ⁽⁶⁾	3,252,500	-	(3,252,500)	n/a
M Bolton ⁽⁷⁾	n/a	-	n/a	-
P Bekkers	200,000	-	(200,000)	-
J Sethi	-	-	-	-
C Bath ⁽⁸⁾	-	-	-	n/a

(1) Other changes represent listed options that expired during the year. All listed options held expired unexercised on 7 September 2015.

(2) Mr Salomon appointed 29 November 2015 as a Non-Executive Director and as Managing Director 18 March 2016.

(3) Mr Lingo appointed 11 February 2016.

(4) Mr Bhandari did not stand for re-election at the Annual General Meeting on 25 November 2015.

(5) Mr Auld was not re-elected at the Annual General Meeting on 25 November 2015.

(6) Mr Miller resigned 18 March 2016.

(7) Mr Bolton appointed 3 June 2016.

(8) Mr Bath resigned 24 May 2016.

END OF REMUNERATION REPORT - AUDITED



Mr Max Cozijn
Chairman



Mr Jonathan Salomon
Managing Director

Signed in accordance with a resolution of the Directors.

West Perth
Western Australia
29 September 2016



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 for the financial year ended 30 June 2016 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

KPMG

G-H-77

Graham Hogg
Partner

Perth

29 September 2016

OILEX LTD
 ABN 50 078 652 632
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
Revenue	6(a)	446,132	290,294
Cost of sales	6(b)	(1,080,512)	(498,390)
Gross loss		(634,380)	(208,096)
Other income	6(c)	1,281	331,853
Exploration expenditure		(3,972,848)	(1,304,057)
Impairment of exploration and evaluation assets	12	(11,572,740)	(11,870,051)
Impairment of development assets	13	(10,023,940)	-
Administration expense	6(d)	(5,648,298)	(3,078,163)
Share-based payments expense	19	(149,523)	(552,139)
Other expenses	6(e)	(3,813,481)	(900,828)
Results from operating activities		(35,813,929)	(17,581,481)
Finance income		62,228	39,426
Finance costs		(309)	(256)
Foreign exchange (loss)/gain	6(f)	(402,101)	153,787
Net finance (loss)/income		(340,182)	192,957
Loss before tax		(36,154,111)	(17,388,524)
Income tax expense	7	-	-
Loss		(36,154,111)	(17,388,524)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		1,143,897	5,260,588
Other comprehensive income, net of tax		1,143,897	5,260,588
Total comprehensive loss		(35,010,214)	(12,127,936)
Earnings per share			
Basic loss per share (cents per share)	8	(3.2)	(2.7)
Diluted loss per share (cents per share)	8	(3.2)	(2.7)

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

OILEX LTD
 ABN 50 078 652 632
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
Assets			
Cash and cash equivalents	9	5,158,361	1,187,158
Trade and other receivables	10	2,235,737	3,575,545
Prepayments		79,441	595,587
Inventories	11	1,238,553	1,249,482
Total current assets		8,712,092	6,607,772
Trade and other receivables	10	102,343	98,958
Exploration and evaluation	12	909,593	11,644,674
Development assets	13	6,139,004	15,647,996
Property, plant and equipment	14	263,400	280,151
Total non-current assets		7,414,340	27,671,779
Total assets		16,126,432	34,279,551
Liabilities			
Trade and other payables	15	2,914,769	3,673,015
Employee benefits	16	356,510	406,843
Provisions	17	181,794	-
Total current liabilities		3,453,073	4,079,858
Provisions	17	3,344,385	3,595,742
Total non-current liabilities		3,344,385	3,595,742
Total liabilities		6,797,458	7,675,600
Net assets		9,328,974	26,603,951
Equity			
Issued capital	18	171,513,760	153,928,046
Reserves	18	8,425,861	8,693,281
Accumulated losses		(170,610,647)	(136,017,376)
Total equity		9,328,974	26,603,951

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

OILEX LTD
 ABN 50 078 652 632
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Attributable to Owners of the Company				
	Issued Capital	Option Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 30 June 2014	149,250,072	4,089,004	1,090,634	(121,075,468)	33,354,242
Total comprehensive (loss)/income					
Loss	-	-	-	(17,388,524)	(17,388,524)
Other comprehensive income					
Foreign currency translation differences	-	-	5,260,588	-	5,260,588
Total other comprehensive income	-	-	5,260,588	-	5,260,588
Total comprehensive (loss)/income	-	-	5,260,588	(17,388,524)	(12,127,936)
Transactions with owners of the Company					
Contributions and distributions					
Shares issued	4,362,379	-	-	-	4,362,379
Capital raising costs ⁽¹⁾	(778,751)	147,532	-	-	(631,219)
Shares issued on exercise of listed options	1,094,346	-	-	-	1,094,346
Transfer on exercise of options	-	(38,414)	-	38,414	-
Transfers on forfeited options	-	(2,408,202)	-	2,408,202	-
Share-based payment transactions	-	552,139	-	-	552,139
Total transactions with owners of the Company	4,677,974	(1,746,945)	-	2,446,616	5,377,645
Balance at 30 June 2015	153,928,046	2,342,059	6,351,222	(136,017,376)	26,603,951
Balance at 30 June 2015	153,928,046	2,342,059	6,351,222	(136,017,376)	26,603,951
Total comprehensive (loss)/income					
Loss	-	-	-	(36,154,111)	(36,154,111)
Other comprehensive income					
Foreign currency translation differences	-	-	1,143,897	-	1,143,897
Total other comprehensive income	-	-	1,143,897	-	1,143,897
Total comprehensive (loss)/income	-	-	1,143,897	(36,154,111)	(35,010,214)
Transactions with owners of the Company					
Contributions and distributions					
Shares issued	20,589,107	-	-	-	20,589,107
Capital raising costs	(3,055,535)	-	-	-	(3,055,535)
Shares issued on exercise of listed options	52,142	-	-	-	52,142
Transfer on exercise of options	-	-	-	-	-
Transfers on forfeited options	-	(1,560,840)	-	1,560,840	-
Share-based payment transactions	-	149,523	-	-	149,523
Total transactions with owners of the Company	17,585,714	(1,411,317)	-	1,560,840	17,735,237
Balance at 30 June 2016	171,513,760	930,742	7,495,119	(170,610,647)	9,328,974

(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.

OILEX LTD
 ABN 50 078 652 632
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
Note	\$	\$
Cash flows from operating activities		
Cash receipts from customers	438,993	313,502
Payments to suppliers and employees	(5,720,957)	(3,420,490)
Cash outflow from operations	(5,281,964)	(3,106,988)
Payments for exploration and evaluation expenses	(5,060,999)	(2,773,193)
Cash receipts from government grants	325,280	358,517
Interest received	62,867	39,403
Interest paid	(309)	(256)
Net cash used in operating activities	(9,955,125)	(5,482,517)
20		
Cash flows from investing activities		
Advances from joint ventures	-	3,158
Payments for capitalised exploration and evaluation	(1,142,168)	(6,118,722)
Proceeds from sale of assets and materials	3,088	600
Acquisition of development assets	(1,921,290)	-
Acquisition of property, plant and equipment	(45,643)	(107,643)
Net cash used in investing activities	(3,106,013)	(6,222,607)
Cash flows from financing activities		
Proceeds from issue of share capital	20,769,192	4,631,708
Proceeds from exercise of share options	52,142	1,094,346
Payment for share issue costs	(3,551,134)	(400,028)
Net cash from financing activities	17,270,200	5,326,026
Net increase/(decrease) in cash and cash equivalents	4,209,062	(6,379,098)
Cash and cash equivalents at 1 July	1,187,158	7,455,572
Effect of exchange rate fluctuations on cash held	(237,859)	110,684
Cash and cash equivalents at 30 June	5,158,361	1,187,158
9		

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

NOTE 1 – REPORTING ENTITY

Oilex Ltd (the Company) is 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 a for-profit entity and 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 29 September 2016.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Foreign Currency Translation Reserve; and
- Share-based payment arrangements are measured at fair value.

(c) Functional and Presentation Currency

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

(d) 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.

Going Concern

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(g).

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

i) Exploration and Evaluation Assets

The Group's accounting policy for exploration and evaluation expenditure is set out in note 3(e). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, including, in particular, 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. The carrying amounts of exploration and evaluation assets are set out in note 12.

ii) Reserve Estimates

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.

NOTE 2 – BASIS OF PREPARATION (CONTINUED)

(d) Key Estimates, Judgements and Assumptions (continued)

iii) 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. For more detail regarding the policy in respect of provision for rehabilitation refer to note 3(l).

iv) Impairment of Assets

The recoverable amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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, as well as the timing of the cash flows and expected life of the relevant area of interest, exchange rates, commodity prices, future capital requirements and future operating performance. Changes in these estimates and assumptions impact the recoverable amount of the asset or cash-generating unit, and accordingly could result in an adjustment to the carrying amount of that asset or cash-generating unit.

The carrying amounts of development assets are set out in note 13.

v) Impairment of Receivables

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.

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).

The carrying amounts of receivables are set out in note 10.

vi) Recognition of Tax Losses

The Group's accounting policy for deferred taxes is set out in note 3(p). A deferred tax asset is recognised for unused losses only if it is probable that future taxable profits will be available to utilise those losses. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, including, in particular, 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.

(e) 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.

NOTE 2 – BASIS OF PREPARATION (CONTINUED)

(f) Changes in Accounting Policies

Except for the following changes, the Group has consistently applied the accounting policies set out in note 3 to all periods presented in these consolidated financial statements.

- AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments*.
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*.
- AASB 2015-4 *Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent*.

The adoption of new and amended Standards had no impact on the financial position or the consolidated financial statements of the Group.

The Group has not elected to early adopt any other new or amended AASB's that are issued but not yet effective (refer note 3(t)).

(g) 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 \$36,154,111, including \$21,596,680 for non-cash impairment of exploration and development assets, and had cash outflows from operating and investing activities of \$9,955,125 and \$3,106,013 respectively. As at 30 June 2016, the Group's current assets exceeded current liabilities by \$5,259,019 and the Group has cash and cash equivalents of \$5,158,361.

The Group will continue to manage its expenditure to ensure that it has sufficient cash reserves for at least the next twelve months. The Group will require additional funds within the next twelve months in order to meet planned expenditures for its projects, including progressing the Cambay Field drilling programme, and for any new business opportunities that the Group may acquire, noting that the timing and amount of discretionary expenditures is able to be varied or deferred as required, although certain commitments exist in the short and medium term. The Group may also require, or receive funds, in relation to its contingent liabilities and assets, refer note 28.

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

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.

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

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities, except as explained in note 2(f) which addresses any changes in accounting policies.

(a) Basis of Consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Group. 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. 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 Ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement.

iii) Joint Arrangements - Joint Operations

The interests of the Group in unincorporated joint operations and jointly controlled assets are brought to account by recognising, in its consolidated financial statements, the assets it controls, the liabilities that it incurs, the expenses it incurs and the share of income that it earns from the sale of goods or services by the joint operations.

iv) 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.

(b) Foreign Currency

i) Foreign Currency Transactions

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 at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. 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.

ii) Foreign Operations

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 presented in the foreign currency translation reserve (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.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial Instruments

i) Share Capital

Ordinary Shares

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

ii) Non-derivative Financial Assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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.

The Group has the following non-derivative financial assets: loans and receivables and cash and cash equivalents (refer note 3(d)).

Loans and Receivables

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 plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

iii) Non-derivative Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. 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. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Exploration and Evaluation Expenditure

Exploration and evaluation of hydrocarbons resources is the identification and evaluation of oil and gas resources, as well as the determination of the technical feasibility and commercial viability of extracting the resources. Exploration and evaluation expenditure in respect of each area of interest is accounted for under the successful efforts method. Accounting for exploration and evaluation expenditure is assessed separately for each area of interest. 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 on activities that precede exploration and evaluation of hydrocarbon resources including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred.

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 the successful discovery of potentially economically recoverable reserves.

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 balance 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 transferred to development expenditure. Amortisation of capitalised costs is not charged on revenues earned from production testing.

Impairment of Exploration and Evaluation Expenditure

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and economic viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are reviewed for impairment if any of the following facts and circumstances 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 exploration and evaluation asset is unlikely to be recovered in full, either by development or sale.

Exploration and evaluation expenditure is reviewed for impairment at each reporting date where there is an indication that the individual geological area may be impaired (refer note 3(i)(ii)).

In the statement of cash flows, those cash flows associated with capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities. Exploration and evaluation expenditure expensed is classified as cash flows used in operating activities.

(f) Development Expenditure

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.

Development expenditure is reviewed for impairment at each reporting date where there is an indication that the individual geological area may be impaired (refer note 3(i)(ii)). The carrying amounts of development assets are set out in note 13.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Development Expenditure (continued)

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.

(g) Joint Arrangements

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.

(h) Inventories

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.

(i) Impairment

i) Non-derivative Financial Assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy or the disappearance of an active market for a security.

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.

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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment (continued)

ii) Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. Exploration and evaluation assets are assessed for impairment in accordance with note 3(e) and development assets are impaired in accordance with note 3(f).

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. 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 depreciation or amortisation, if no impairment loss had been recognised.

(j) Employee Benefits

i) Short-term Employee Benefits

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.

ii) Long-term Employee Benefits

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 in the current and prior periods. 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 the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

iii) Share-based Payment Transactions

Options allow directors, employees and advisors to acquire shares of the Company. The fair value of options granted 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. Options are also provided as part of consideration for services by financiers and advisors. 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.

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.

(k) Product Revenue

Revenue is recognised when the significant risks and rewards of ownership have transferred to the buyer. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the product to the customer. Revenues from test production are accounted for as revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Provisions

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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability.

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.

(m) Leases

Payments made under operating leases 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.

(n) Finance Income and Finance Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Finance costs comprise interest expense on borrowings and unrealised foreign exchange losses. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(o) Property, Plant and Equipment

i) Recognition and Measurement

Items of property, plant and equipment are 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 of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

ii) Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Ongoing repairs and maintenance is expensed as incurred.

iii) Depreciation

Depreciation is recognised in profit or loss using the reducing balance 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.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income Tax

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.

In determining the amount of current and deferred tax the Group takes into account 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.

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.

The Company and its wholly-owned Australian resident entities formed a tax-consolidated group with effect from 1 July 2004 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Oilex Ltd.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

(q) Goods and Services Tax and Other Indirect Taxes

Revenues, expenses and assets are recognised net of the amount of good and services tax (GST) except:

- When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(r) Government Grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants that compensate the group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same period in which the expenses are recognised.

Government grants relating to exploration and evaluation assets are deducted against the carrying amount of these assets. The grants are then recognised in profit or loss on a systematic basis over the useful life of the asset.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Earnings Per Share

Basic earnings per share is calculated as net profit or loss attributable to members of the Group, divided by the weighted average number of ordinary shares, 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 effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

(t) 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 9 *Financial Instruments* replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes requirements in the areas of classification and measurement, impairment, hedge accounting and derecognition. AASB 9 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The adoption of AASB 9 is not expected to have a material impact on the Group's financial assets or financial liabilities.
- AASB 15 *Revenue from Contracts with Customer* provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided for determining whether, how much and when revenue is recognised. New disclosures about revenue are also introduced. AASB 15 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The adoption of AASB 15 is not expected to have a material impact on the Group's revenue.
- AASB 16 *Leases* provides a new lessee accounting model requiring the recognition of assets and liabilities for all leases with a term greater than 12 months, unless the underlying asset is of low value. AASB 16 is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The impact on the Group's financial assets and financial liabilities of the adoption of AASB 16 has yet to be determined.
- AASB 2014-4 *Clarification of Acceptable Methods of Depreciation and Amortisation (amendments to AASB 116 and ASBB 138)* clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment and is effective for annual reporting periods beginning on or after 1 July 2016.
- AASB 2014-3 *Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations* sets out the guidance on the accounting for acquisition of interests in joint operations in which the activity constitutes a business and is effective for annual reporting periods beginning on or after 1 July 2016.
- AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012 - 2014 Cycle* - sets out clarification of amendments to existing accounting standards.
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101*. The standard makes amendments to AASB 101 *Presentation to Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments encourage preparers to exercise judgement in presenting their financial reports. The amendments make clear that materiality applies to the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments clarify that judgement should be used in determining where and in what order information is presented in the financial disclosures and is effective for annual reporting periods beginning on or after 1 January 2016.
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*. The standard makes amendments to AASB 2 *Share-based Payment*. The amendments address the accounting for the effects of vesting and non-vesting conditions and the accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled, and is effective for annual reporting periods beginning on or after 1 January 2018.

The potential effect of these Standards is yet to be fully determined, however it is not expected that these will have a significant impact on the consolidated financial statements.

NOTE 4 – DETERMINATION OF FAIR VALUES

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 measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and Other Receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Short term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial.

Non-derivative Financial Liabilities

Fair value of trade and other payables, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based Payment Transactions

The fair value of options is measured using the Black-Scholes Model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

NOTE 5 – 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 which are as follows: India, Australia, Joint Petroleum Development Area and Indonesia. Each managed segment has responsible officers that are accountable to the Managing Director (the Group's chief operating decision maker). All operating segments' operating results 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 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. Other items include non-segmental revenue, expenses and associated assets and liabilities not allocated to operating segments, mostly comprising corporate assets (primarily the Company's headquarters), head office expenses and income tax assets and liabilities. It also includes expenses incurred by non-operating segments, such as new ventures and those undergoing relinquishment.

Major Customer

The Group's most significant customer is Enertech Fuel Solutions Pvt Limited with gas sales representing 77% of the Group's total revenues (2015: 2%). Indian Oil Corporation Limited, in its capacity as nominee of the Government of India, represents 23% of the Group's total revenues from sale of oil (2015: 98%).

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NOTE 5 – OPERATING SEGMENTS (CONTINUED)

	India		Australia		JPDA ⁽¹⁾		Indonesia		Corporate ⁽²⁾		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue												
External revenue	446,132	290,294	-	-	-	-	-	-	-	-	446,132	290,294
Cost of sales												
Production costs	(1,027,166)	(467,938)	-	-	-	-	-	-	-	-	(1,027,166)	(467,938)
Amortisation of development assets	(46,652)	-	-	-	-	-	-	-	-	-	(46,652)	-
Movement in oil stocks inventory	(6,694)	(30,452)	-	-	-	-	-	-	-	-	(6,694)	(30,452)
Total cost of sales	(1,080,512)	(498,390)	-	-	-	-	-	-	-	-	(1,080,512)	(498,390)
Gross loss	(634,380)	(208,096)	-	-	-	-	-	-	-	-	(634,380)	(208,096)
Exploration expenditure expensed	(3,082,482)	(173,232)	(391,405)	(1,011,978)	(299,831)	(73,341)	(182,018)	(42,458)	(17,112)	(3,048)	(3,972,848)	(1,304,057)
Impairment of exploration and expenditure	(11,572,740)	(11,870,051)	-	-	-	-	-	-	-	-	(11,572,740)	(11,870,051)
Impairment of development assets	(10,023,940)	-	-	-	-	-	-	-	-	-	(10,023,940)	-
Depreciation	(38,251)	(28,990)	-	-	-	-	-	-	(29,576)	(41,318)	(67,827)	(70,308)
Share-based payments	(8,543)	(84,701)	-	-	-	-	-	-	(140,980)	(467,438)	(149,523)	(552,139)
Other income	1,242	-	-	-	1,170	-	-	-	(1,131)	331,853	1,281	331,853
Other expenses	(3,719,178)	(493,558)	-	-	(10,138)	(10,043)	(21,638)	(24,115)	(5,642,998)	(3,380,967)	(9,393,952)	(3,908,683)
Reportable segment profit/(loss) before income tax	(29,078,272)	(12,858,628)	(391,405)	(1,011,978)	(308,799)	(83,384)	(203,656)	(66,573)	(5,831,797)	(3,560,918)	(35,813,929)	(17,581,481)
Net finance income											61,919	39,170
Foreign exchange (loss)/gain											(402,101)	153,787
Income tax expense											-	-
Loss for the period											(36,154,111)	(17,388,524)
Segment assets	10,638,650	31,017,658	374,226	383,582	45,561	294,264	-	-	5,067,995	2,584,047	16,126,432	34,279,551
Segment liabilities	4,640,250	5,525,769	-	-	6,196	7,900	232,011	285,530	1,919,001	1,856,401	6,797,458	7,675,600

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.

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NOTE 6 – REVENUE AND EXPENSES

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

	Note	2016 \$	2015 \$
(a) Revenue			
Oil sales		100,405	284,805
Gas sales		345,727	5,489
		446,132	290,294
(b) Cost of Sales			
Production costs		(1,027,166)	(467,938)
Amortisation of development assets		(46,652)	-
Movement in oil stocks inventory		(6,694)	(30,452)
		(1,080,512)	(498,390)
(c) Other Income			
Profit on disposal of other assets		1,281	-
Workers compensation proceeds		-	6,573
Government grants - research and development		-	325,280
		1,281	331,853
(d) Administration Expenses			
Employee benefits expense		(1,347,773)	(919,352)
Administration expense		(2,815,532)	(2,158,811)
Zeta Resources Limited settlement and legal costs		(1,484,993)	-
		(5,648,298)	(3,078,163)
Zeta Resources Limited settlement and legal costs reported above exclude any potential recovery from an insurance claim. Refer note 28.			
(e) Other Expenses			
Depreciation provision	14	(67,827)	(70,308)
Doubtful debts provision	10	(3,941,988)	(743,383)
Well abandonment adjustment/(expense)		196,334	(52,950)
Loss on disposal of other assets		-	(34,187)
		(3,813,481)	(900,828)
(f) Foreign Exchange (Loss)/Gain			
Foreign exchange (loss)/gain - realised		(166,388)	34,724
Foreign exchange (loss)/gain - unrealised		(235,713)	119,063
		(402,101)	153,787

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NOTE 7 – INCOME TAX EXPENSE

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

	2016 \$	2015 \$
Loss before income tax	(36,154,111)	(17,388,524)
Income tax using the domestic corporation tax rate of 30% (2015: 30%)	(10,846,233)	(5,216,557)
Effect of tax rate in foreign jurisdictions	(3,501,373)	(1,627,757)
Non-deductible expenses		
Share-based payments	44,857	165,642
Foreign expenditure non-deductible	1,469,010	844,186
Non-deductible foreign impairment expenditure	6,479,004	(1,935,149)
Other non-deductible expenses	735,922	365,073
Non-assessable income		
Government grants - research and development	-	(97,584)
	(5,618,813)	(7,502,146)
Unrecognised deferred tax assets generated during the year and not brought to account at balance date as realisation is not regarded as probable	5,618,813	7,502,146
Income tax expense	-	-

	2016 \$	2015 \$
Unrecognised deferred tax assets not brought to account at balance date as realisation is not regarded as probable – temporary differences		
Other	27,174,420	23,425,978
Losses available for offset against future taxable income	15,157,350	11,092,871
Deferred tax asset not brought to account	42,331,770	34,518,849

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

The deferred tax asset not brought to account for the 2016 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 2016 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.

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 members of the tax-consolidated group. Total tax losses of the Australian tax-consolidated group, available for offset against future taxable income are \$7,222,073 (2015: \$7,117,062).

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NOTE 8 – LOSS PER SHARE

(a) Basic Loss Per Share

The calculation of basic loss per share at 30 June 2016 was based on the loss for the period attributable to ordinary shareholders of \$36,154,111 (2015: loss of \$17,388,524) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2016 of 1,124,360,627 (2015: 647,558,014), calculated as follows:

	2016	2015
	\$	\$
i) Loss Attributable to Ordinary Shareholders		
Loss for the Period	36,154,111	17,388,524

	2016	2015
	Number	Number
ii) Weighted Average Number of Ordinary Shares		
Issued ordinary shares at 1 July	677,906,039	593,384,789
Effect of shares issued	446,449,448	47,534,497
Effect of share options exercised	5,140	6,638,728
Weighted average number of ordinary shares at 30 June	1,124,360,627	647,558,014

(b) Diluted Loss Per Share

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

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NOTE 9 – CASH AND CASH EQUIVALENTS

	2016	2015
	\$	\$
Cash at bank and on hand	5,158,361	1,187,158

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 22.

NOTE 10 – TRADE AND OTHER RECEIVABLES

	2016	2015
	\$	\$
Current		
Allocation of receivables		
Joint venture receivables	1,583,668	2,459,323
Other receivables	652,069	1,116,222
	2,235,737	3,575,545
Joint venture receivables		
Joint venture receivables	6,169,854	3,242,242
Provision for doubtful debts	(4,586,186)	(782,919)
	1,583,668	2,459,323
Other receivables		
Corporate receivables	732,577	1,116,222
Provision for doubtful debts	(80,508)	-
	652,069	1,116,222
Non-current		
Other receivables - India TDS (tax deducted at source)	102,343	98,958
	102,343	98,958

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

The Group considers that there is evidence of impairment if any of the following indicators are present; financial difficulties of the debtor, probability that the debtor will dispute amounts owing and default or delinquency in payment (more than one year old). Whilst the Group has been in discussions with its joint venture partner Gujarat State Petroleum Corporation, for repayment of disputed and other amounts owing, in line with identified impairment indicators, the balance of Cambay cash calls receivable relating to the 2014/2015 work programme, as well as the current financial period, has been fully provided for in the current period.

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

Details of the Group's credit risk are disclosed in note 22(b).

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NOTE 10 – TRADE AND OTHER RECEIVABLES (CONTINUED)

	2016 \$	2015 \$
Movement in provision for doubtful debts		
Balance at 1 July	(782,919)	-
Provisions made during the year	(3,941,988)	(743,383)
Effect of movements in exchange rates	58,213	(39,536)
Balance at 30 June	(4,666,694)	(782,919)
Allocation of provision		
Joint venture receivables	(4,586,186)	(782,919)
Other receivables	(80,508)	-
	(4,666,694)	(782,919)

NOTE 11 – INVENTORIES

	2016 \$	2015 \$
Oil on hand - net realisable value	7,949	14,034
Drilling inventory - net realisable value	1,230,604	1,235,448
	1,238,553	1,249,482

There were no reversal of writedowns to net realisable value.

NOTE 12 – EXPLORATION AND EVALUATION

	2016 \$	2015 \$
Balance at 1 July	11,644,674	26,320,952
Expenditure capitalised	469,190	3,503,305
Transfer to development assets	(193,585)	(12,828,857)
Impairment of exploration and evaluation expenditure	(11,572,740)	(11,870,051)
Effect of movements in foreign exchange rates	562,054	6,519,325
Balance at 30 June	909,593	11,644,674

During the 2016 financial year the Bhandut gas production facilities were completed and designated as production (2015: undergoing construction and designated as exploration and evaluation) and were therefore transferred to development assets during the year ended 30 June 2016.

During the financial year Cambay-72, Cambay-19z and the initial acquisition costs of the Indian assets were fully impaired following an internal evaluation which showed that these assets were unlikely to recover costs capitalised to date. As a consequence of this assessment \$11,572,740 (2015: \$11,870,051) was impaired as at 31 December 2015.

The remaining Cambay Field is currently under evaluation. It has minimal production that is sold to a third party.

Exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment or reversal of impairment, refer note 3(e). When a well does not result in the successful discovery of potentially economically recoverable reserves, or if sufficient data exists to indicate the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full, either by development or sale, it is impaired.

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NOTE 13 – DEVELOPMENT ASSETS

	2016 \$	2015 \$
Cost		
Opening balance	15,647,996	-
Transfer from exploration	193,585	12,828,857
Transfer (to)/from joint venture receivables	(347,029)	2,819,139
Acquisition of development assets	163,827	-
Effect of movements in foreign exchange rates	502,631	-
Closing balance	<u>16,161,010</u>	<u>15,647,996</u>
Amortisation and Impairment Losses		
Opening balance	-	-
Impairment of development assets	10,023,940	-
Amortisation charge for the year	46,651	-
Effect of movements in foreign exchange rates	(48,585)	-
Closing balance	<u>10,022,006</u>	<u>-</u>
Carrying Amounts		
Opening balance	<u>15,647,996</u>	-
Closing balance	<u>6,139,004</u>	<u>15,647,996</u>

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

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

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

Bhandut Development Assets

The Bhandut gas production facilities were completed and \$193,585 was transferred to development assets during the year ended 30 June 2016. The production from the Bhandut-3 well has not met expectations, due to increased water production from the well and as at 30 June 2016 these facilities were fully impaired.

Cambay Development Assets

The Cambay Field development assets were impaired by \$9,830,355 during the year ended 30 June 2016.

December Impairment

The recoverability of the Cambay Field development assets as at 31 December 2015 was estimated using a value in use model.

The key assumptions used for the determination of the value in use assessment were based upon the 1P reserves, an inflation rate of 2.2% and a pre-tax nominal discount rate of 17.1%. Oil prices, derived from independent forward price curves (US\$/bbl) used were \$40 to June 2016, \$45 to December 2016, increasing by \$10 each calendar year until December 2018, then increasing to \$70 from January 2019 and to \$80 from January 2021. Natural gas prices are based upon existing contracts and long term forecasts.

The decline in forecasted oil and gas prices resulted in a non-cash impairment loss of \$3,466,892 for the Cambay Field development assets as at 31 December 2015.

NOTE 13 – DEVELOPMENT ASSETS (CONTINUED)

June Impairment

The recoverability of the Cambay Field development assets as at 30 June 2016 was estimated using a value in use model.

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

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

Oil prices, derived from independent forward price curves (US\$/bbl) used were \$53 in 2017, steady at approximately \$62 through to the end of December 2020, with a long term price of \$71.

The PSC primary term which expires in September 2019, provides for two five year extensions, such that the PSC could be extended to 2029, subject to a field development plan being submitted. The Government of India has recently issued a policy proposal to extend the term of the PSC to the economic life of the field.

The assumption for US inflation rate was 2.2% and for AUD/USD was \$0.74. The pre-tax nominal discount rate adopted was 18.1%.

The Company has certain specific risks in implementing its planned development of Cambay which are not fully considered by the pre-tax discount rate. Accordingly, the Company has risked the value in use calculation for these specific risks including the well success, PSC extensions and well completion technologies by applying an estimated risk factor as at 30 June 2016.

The June 2016 value in use model resulted in a net lower value in use. This reflected higher gas production, lower drilling costs and the adoption of long term LNG price forecasts, which were offset by the application of a specific risk factor to the model, resulting in a non-cash impairment loss of \$6,363,463 for the Cambay Field development asset as at 30 June 2016.

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NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Plant and Equipment	Office Furniture	Total
	\$	\$	\$	\$
Cost				
Balance at 1 July 2014	11,773	1,799,929	149,431	1,961,133
Acquisitions	-	94,911	12,732	107,643
Disposals	-	(771,984)	(32,146)	(804,130)
Currency translation differences	2,683	69,621	13,694	85,998
Balance at 30 June 2015	14,456	1,192,477	143,711	1,350,644
Balance at 1 July 2015	14,456	1,192,477	143,711	1,350,644
Acquisitions	-	39,432	6,211	45,643
Disposals	(5,217)	(37,155)	(3,875)	(46,247)
Currency translation differences	495	15,704	2,532	18,731
Balance at 30 June 2016	9,734	1,210,458	148,579	1,368,771
Depreciation and Impairment Losses				
Balance at 1 July 2014	10,761	1,610,473	85,158	1,706,392
Depreciation charge for the year	295	62,924	7,089	70,308
Disposals	-	(762,861)	(6,482)	(769,343)
Currency translation differences	2,481	50,471	10,184	63,136
Balance at 30 June 2015	13,537	961,007	95,949	1,070,493
Balance at 1 July 2015	13,537	961,007	95,949	1,070,493
Depreciation charge for the year	252	60,757	6,818	67,827
Disposals	(5,217)	(37,155)	(2,068)	(44,440)
Currency translation differences	459	9,148	1,884	11,491
Balance at 30 June 2016	9,031	993,757	102,583	1,105,371
Carrying amounts				
At 1 July 2014	1,012	189,456	64,273	254,741
At 30 June 2015	919	231,470	47,762	280,151
At 1 July 2015	919	231,470	47,762	280,151
At 30 June 2016	703	216,701	45,996	263,400

NOTE 15 – TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Trade creditors	1,887,716	2,034,964
Accruals	1,027,053	1,638,051
	2,914,769	3,673,015

The Company's assessment of the recoverability of outstanding cash call amounts owing from its joint venture partner (GSPC) has resulted in an additional impairment (refer note 10) and consequently the Company is of the opinion that the Joint Venture will be unable to meet its third party liabilities, without financial support from the Company as Operator, due to non-payment of outstanding cash calls by the Joint Venture partner. As a result, the Group has accrued \$467,924 as at 30 June 2016 (December 2015: \$1,723,200, June 2015: Nil) to cover Cambay, Bhandut and Sabarmati Joint Venture third party liabilities.

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NOTE 16 – EMPLOYEE BENEFITS

	2016 \$	2015 \$
Employee entitlements	356,510	406,843

NOTE 17 – PROVISIONS

	2016 \$	2015 \$
Site restoration and well abandonment		
Balance at 1 July	3,595,742	3,061,107
Provision adjustments during the year	(196,334)	(149,606)
Effect of movements in exchange rates	126,771	684,241
Balance at 30 June	3,526,179	3,595,742
Current	181,794	-
Non-current	3,344,385	3,595,742
	3,526,179	3,595,742

NOTE 18 – ISSUED CAPITAL AND RESERVES

(a) Issued Capital

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

	2016 Number of Shares	2016 \$ Issued Capital	2015 Number of Shares	2015 \$ Issued Capital
Shares				
On issue 1 July - fully paid	677,906,039	153,928,046	591,034,789	148,980,743
Shares contracted to be issued - not fully paid	-	-	2,350,000	269,329
Balance at the start of the period	677,906,039	153,928,046	593,384,789	149,250,072
Issue of share capital				
Shares issued for cash	-	-	77,225,610	4,362,379
Shares issued for cash ⁽¹⁾	45,393,463	1,861,132	-	-
Shares issued for cash ⁽²⁾	169,476,565	6,948,539	-	-
Shares issued for cash ⁽³⁾	287,303,319	11,779,436	-	-
Exercise of listed options ⁽⁴⁾	347,613	52,142	7,295,640	1,094,346
Capital raising costs		(3,055,535)		(631,219)
Underwriter and sub-underwriter options		-		(147,532)
Balance at the end of the period - fully paid	1,180,426,999	171,513,760	677,906,039	153,928,046

	Number of Listed Options	
	2016	2015
Listed options exercisable at \$0.15 per share expired 7 September 2015		
On issue at 1 July	188,596,471	195,892,111
Exercise of listed options ⁽⁴⁾	(347,613)	(7,295,640)
Expiry of listed options as at 7 September 2015	(188,248,858)	-
Total listed options	-	188,596,471

Refer notes following for additional information and note 19 for details of unlisted options.

NOTE 18 – ISSUED CAPITAL AND RESERVES (CONTINUED)

(a) Issued Capital (continued)

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

On 7 July 2015 the Company announced a two tranche placement and underwritten rights issue placement to raise \$30 million.

- (1) On 15 July 2015, the Company issued 45,393,463 new ordinary shares under Tranche One of the Placement at an issue price of \$0.041 per share.
- (2) On 5 August 2015, the Company issued 169,476,565 new ordinary shares under the fully underwritten Rights Issue at an issue price of \$0.041 per share.
- (3) On 18 August 2015, the Company issued 287,303,319 new ordinary shares under Tranche Two of the Placement at an issue price of \$0.041 per share.
- (4) 347,613 listed options with an exercise price of \$0.15 were exercised prior to expiry date of 7 September 2015.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares at 30 June 2016 are fully paid.

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.

(b) 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.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

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NOTE 19 – SHARE-BASED PAYMENTS

At 30 June 2016 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			
27 June 2013	500,000	One year of service	4 years
5 August 2014	500,000	Vest immediately	3 years
5 August 2014	500,000	One year of service	4 years
16 February 2015	500,000	Vest immediately	3 years
16 February 2015	500,000	One year of service	4 years
Other Employees			
28 October 2013	2,000,000	Vest immediately	3 years
11 November 2013	2,000,000	Vest immediately	3 years
11 November 2013	2,000,000	Vest immediately	4 years
5 August 2014	375,000	Vest immediately	3 years
5 August 2014	375,000	One year of service	4 years
25 August 2014 ⁽¹⁾	1,500,000	Vest immediately	3 years
25 August 2014 ⁽¹⁾	1,500,000	One year of service	4 years
Financiers and Advisors			
5 December 2013	3,000,000	Vest immediately	3 years
22 December 2014	5,000,000	Vest immediately	3 years
Total Options	20,250,000		

⁽¹⁾ Subsequent to year end 3,000,000 unlisted options expired on 24 August 2016.

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NOTE 19 – SHARE-BASED PAYMENTS (CONTINUED)

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

	Weighted Average Exercise Price 2016	Number of Options 2016	Weighted Average Exercise Price 2015	Number of Options 2015
Outstanding at 1 July	\$0.19	33,975,000	\$0.24	37,462,500
Forfeited during the year	\$0.17	(5,150,000)	\$0.22	(2,250,000)
Lapsed during the year	\$0.21	(8,575,000)	\$0.35	(12,887,500)
Exercised during the year	-	-	-	-
Granted during the year	-	-	\$0.21	11,650,000
Outstanding at 30 June	\$0.19	20,250,000	\$0.19	33,975,000
Exercisable at 30 June	\$0.19	20,250,000	\$0.18	30,900,000

The unlisted options outstanding at 30 June 2016 have an exercise price in the range of \$0.10 to \$0.35 (2015: \$0.10 to \$0.63) and a weighted average remaining contractual life of 1.2 years (2015: 2.0 years).

No unlisted options were exercised during the years ended 30 June 2016 and 30 June 2015.

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.

No unlisted options were issued in 2016.

The following share-based payments expense in relation to unlisted options have been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	2016 \$	2015 \$
Share options - equity settled		
Directors and employees	149,523	552,139
Financiers and advisors	-	-
Total share-based payments expense	149,523	552,139

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NOTE 20 – RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2016 \$	2015 \$
Net loss for the period	(36,154,111)	(17,388,524)
Amortisation of Development Assets	46,652	-
Depreciation	67,827	70,308
Provision for doubtful debts	3,941,988	743,383
(Profit)/loss on disposal of assets and materials	(1,281)	34,187
Impairment of exploration and evaluation assets	11,572,740	11,870,051
Impairment of development assets	10,023,940	-
Well abandonment reversal	(196,334)	-
Equity-settled share-based payments	149,523	552,139
Unrealised foreign exchange (loss)/gain	215,205	(681,668)
Operating Loss Before Changes in Working Capital and Provisions	(10,333,851)	(4,800,124)
Movement in trade and other payables	2,481,955	1,128,375
Movement in prepayments	516,145	138,068
Movement in trade and other receivables	(2,579,972)	(1,618,022)
Movement in provisions	30,053	(157,115)
Movement in inventory	10,930	(201,852)
Movement in employee benefits	(80,385)	28,153
Net Cash Used in Operating Activities	(9,955,125)	(5,482,517)

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NOTE 21 – CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership Interest %	
		2016	2015
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 NL Holdings (India) Limited	Cyprus	100	100
Oilex Oman Limited ⁽¹⁾	Cyprus	100	100
Oilex (JPDA 06-103) Ltd	Australia	100	100
Oilex (West Kampar) Limited	Cyprus	100	100

⁽¹⁾ Oilex Oman Limited, a dormant company registered in Cyprus, was placed under voluntary liquidation and a liquidator appointed on 19 June 2014. This entity has sufficient assets to fund the ongoing liquidation process.

NOTE 22 – FINANCIAL INSTRUMENTS

(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.

Trade and Other Receivables

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:

	2016	2015
	\$	\$
Cash and cash equivalents	5,158,361	1,187,158
Trade and other receivables - current	2,235,737	3,575,545
Trade and other receivables - non-current	102,343	98,958
	7,496,441	4,861,661

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NOTE 22 – FINANCIAL INSTRUMENTS (CONTINUED)

(b) Credit Risk (continued)

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 \$6,169,854 (2015: \$3,242,242). The Group's most significant customer is Enertech Fuel Solutions Pvt Limited with gas sales representing 77% of the Group's total revenues (2015: 2%) accounts for \$12,090 of trade receivables (2015: Nil), whilst the Indian Oil Corporation Limited, in its capacity as nominee of the Government of India, accounts for \$150,710 of trade receivables as at June 2016 (2015: \$144,644).

Impairment Losses

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

	2016	2015
	\$	\$
Consolidated Gross		
Not past due	2,559,521	1,205,681
Past due 0-30 days	196,160	645,047
Past due 31-120 days	308,645	657,710
Past due 121 days to one year	1,928,749	817,468
More than one year	2,011,699	1,131,516
	7,004,774	4,457,422
Provision for doubtful debts	(4,666,694)	(782,919)
Trade and other receivables net of provision	2,338,080	3,674,503
Trade and other receivables net of provision		
Current	2,235,737	3,575,545
Non-current	102,343	98,958
	2,338,080	3,674,503

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

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). The Group has been in discussions with its joint venture partner for repayment of disputed and other amounts owing. As at 30 June 2016, 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. 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, cannot be certain of the timing or of full recovery.

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NOTE 22 – FINANCIAL INSTRUMENTS (CONTINUED)

(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 balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying Amount \$	Contractual Cash Flows			
		Total \$	2 months or less \$	2 – 12 months \$	Greater than 1 year \$
2016					
Trade and other payables	2,914,769	2,914,769	2,914,769	-	-
Total financial liabilities	2,914,769	2,914,769	2,914,769	-	-
2015					
Trade and other payables	3,673,015	3,673,015	3,673,015	-	-
Total financial liabilities	3,673,015	3,673,015	3,673,015	-	-

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NOTE 22 – FINANCIAL INSTRUMENTS (CONTINUED)

(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, Indian rupee and British pound.

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:

In equivalents of Australian dollar	2016			2015		
	USD \$	INR \$	GBP \$	USD \$	INR \$	GBP \$
Cash and cash equivalents	3,998,289	304,818	156,625	277,769	195,677	27,586
Trade and other receivables						
Current	37,710	3,869,825	-	41,878	1,436,845	-
Non-current	102,343	-	-	98,958	-	-
Prepayments	-	-	-	376,545	-	-
Trade and other payables	(470,438)	(505,992)	(33,041)	(629,062)	(1,138,810)	(84,793)
Net balance sheet exposure	3,667,904	3,668,651	123,584	166,088	493,712	(57,207)

The following significant exchange rates applied during the year:

AUD 1	Average Rate		Reporting Date Spot Rate	
	2016	2015	2016	2015
USD	0.7283	0.8382	0.7426	0.7680
INR	48.297	51.917	50.162	48.979
GBP	0.4914	0.5307	0.5549	0.4885

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 2015.

	2016 \$	2015 \$
10% Strengthening		
United States dollars (USD)	410,567	18,454
Indian rupees (INR)	407,628	54,857
British pounds (GBP)	13,732	(6,356)
10% Weakening		
United States dollars (USD)	(335,919)	(15,099)
Indian rupees (INR)	(333,514)	(44,883)
British pounds (GBP)	(11,235)	5,201

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NOTE 22 – FINANCIAL INSTRUMENTS (CONTINUED)

(d) Market Risk (continued)

ii) Interest rate risk

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

	Carrying Amount	
	2016	2015
	\$	\$
Fixed Rate Instruments		
Financial assets (short-term deposits included in trade receivables)	148,585	188,959
Variable Rate Instruments		
Financial assets (cash at bank)	5,158,361	1,187,158

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Group does not account for any fixed rate financial instruments at fair value through profit or loss so a change in interest rates at the reporting date would not affect profit or loss or equity.

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 2015.

	2016	2015
	\$	\$
Impact on profit or loss	51,584	11,872

iii) Other market price risks

The Group had no financial instruments with exposure to other price risks at June 2016 or June 2015.

Equity Price Sensitivity

The Group had no exposure to equity price sensitivity at June 2016 or June 2015.

(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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 23 – AUDITORS' REMUNERATION

	2016 \$	2015 \$
Audit and review services		
<i>Auditors of the Company – KPMG</i>		
Audit and review of financial reports (KPMG Australia)	161,988	114,080
Audit of Joint Operations operated by Oilex Ltd		
Operator proportion only (KPMG Australia)	915	1,878
Audit and review of financial reports (KPMG related practices)	19,768	20,408
	182,671	136,366
<i>Other Auditors</i>		
Audit and review of financial reports (India Statutory)	5,844	6,398
	188,515	142,764
Other services		
<i>Auditors of the Company – KPMG</i>		
Taxation compliance services (KPMG Australia)	24,524	18,600
Corporate services (KPMG Australia)	-	6,132
Taxation compliance services (KPMG related practices)	16,293	19,255
	40,817	43,987
<i>Other Auditors</i>		
Taxation compliance services (India Statutory)	9,350	8,530
	50,167	52,517

NOTE 24 – OPERATING LEASES

Leases as Lessee

Non-cancellable operating lease rentals are payable as follows:

	2016 \$	2015 \$
Within one year	126,062	161,280
One year or later and no later than five years	110,246	229,647
	236,308	390,927

The Group leases its head office premises at Ground Floor, 44a Kings Park Road, West Perth under an operating lease. The current lease has a three year term, commencing 1 June 2015, with an option to renew for a further two years.

The Group leases office premises in Gandhinagar (India) under an operating lease. The current lease had a one year term, which expired August 2016 and has an option to renew for a further term after that date or rent month by month.

	2016 \$	2015 \$
Operating lease rentals expensed during the financial year	174,458	179,749

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NOTE 25 – JOINT ARRANGEMENTS

The Group's interests in joint arrangements as at 30 June 2016 are detailed below. Principal activities are oil and gas exploration, evaluation, development and production.

(a) Joint Operations Interest

Permit		2016 %	2015 %
OFFSHORE			
JPDA 06-103	Timor-Leste/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	India (Cambay Basin)	40.0	40.0
West Kampar Block	Indonesia (Central Sumatra)	67.5 ⁽¹⁾	67.5 ⁽¹⁾

⁽¹⁾ 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 has been provided to BPMigas (now SKKMigas), the Indonesian Government regulator, and has not been approved or rejected. If Oilex is paid the funds due it will not be entitled to also pursue this assignment.

(b) Joint Operations

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

	2016 \$	2015 \$
Current assets		
Cash and cash equivalents	367,131	335,777
Trade and other receivables	2,656,826	3,127,048
Inventory	1,230,603	1,235,448
Prepayments	38,705	166,450
Total current assets	4,293,265	4,864,723
Non-current assets		
Exploration and evaluation	535,812	7,587,300
Development assets	6,139,004	14,835,248
Property, plant and equipment	178,063	190,139
Total non-current assets	6,852,879	22,612,687
Total assets	11,146,144	27,477,410
Current liabilities		
Trade and other payables	(904,823)	(1,606,389)
Total liabilities	(904,823)	(1,606,389)
Net assets	10,241,321	25,871,021

(c) Joint Operations Commitments

The aggregate of the Group's commitments attributable to joint operations is as follows:

	2016 \$	2015 \$
Exploration expenditure commitments	-	-

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NOTE 26 – 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 payable as follows:

	2016	2015
	\$	\$
Within one year	-	-
One year or later and no later than five years	-	-
	-	-

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

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

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

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

Capital Expenditure Commitments

The Group had no capital commitments as at 30 June 2016 (2015: Nil).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27 – RELATED PARTIES

Identity of Related Parties

The Group has a related party relationship with its subsidiaries (refer note 21), joint operations (refer note 25) 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
Max Cozjin	Non-Executive Chairman
Brad Lingo	Non-Executive Director (appointed 11 February 2016)
Sundeep Bhandari	Non-Executive Vice Chairman (until 25 November 2015)
Jeffrey Auld	Non-Executive Director (until 25 November 2015)
Executive Directors	Position
Joe Salomon	Managing Director (appointed Non-Executive Director 29 November 2015 and Managing Director 18 March 2016)
Ronald Miller	Managing Director (resigned 18 March 2016)
Executives	Position
Mark Bolton	Chief Financial Officer and Company Secretary (appointed 10 June 2016)
Pete Bekkers	Chief Geoscientist
Jayant Sethi	Head - India Assets
Chris Bath	Chief Financial Officer and Company Secretary (resigned 24 May 2016)

Key Management Personnel Compensation

Key management personnel compensation (with the 2015 comparative re-presented to reflect current year key management personnel) comprised the following:

	2016	2015
	\$	\$
Short-term employee benefits	1,483,734	1,480,320
Other long-term benefits	48,500	35,476
Non monetary benefits	17,928	19,932
Post-employment benefits	102,987	58,639
Termination benefits	91,095	-
Share-based payments	137,604	404,960
	1,881,848	1,999,327

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

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

A number of these companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-key management personnel related entities on an arm's length basis.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27 – RELATED PARTIES (CONTINUED)

Key Management Personnel Transactions with the Company or its Controlled Entities (continued)

The aggregate value of these transactions and outstanding balances related to key management personnel and entities over which they have control or significant influence were as follows:

Key Management Personnel	Transaction	Transactions Value		Group's Share		Balance Outstanding	
		2016	2015	2016	2015	2016	2015
		\$	\$	\$	\$	\$	\$
Mr R L Miller ⁽¹⁾	Management services	364,659	451,521	364,659	451,521	-	81,104
Mr S Bhandari ⁽²⁾	Consultancy services	34,327	161,059	34,327	77,845	-	17,895

(1) Oilex used the services of La Jolla Enterprises Pty Ltd, of which Mr Miller is an employee. Rates charged were at market rates and have been included in the remuneration of key management personnel disclosure. Included in the amounts paid to La Jolla Enterprises is \$69,000 approved by the Board on 18 March 2016 representing the total of Mr Millers accrued entitlements and termination payments.

(2) Oilex used the services of India Hydrocarbons Limited (IHL) of which Mr Bhandari is a principal director and shareholder. The gross monthly fee for services was US\$7,500 (which remains unchanged since 1 July 2010). The agreement with IHL expired July 2016 and IHL continued to invoice the monthly fee while the contract was being renegotiated. Following the November AGM at which Mr Bhandari did not stand for re-election, the Board renegotiated the outstanding fee to US\$25,000, this amount being fully allocated to the Group. Gross fees have been included in the remuneration of key management personnel disclosures.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 28 – CONTINGENT LIABILITIES AND ASSETS

Contingent Liabilities at Reporting Date

The Directors are of the opinion that provisions 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.

- (a) Oilex Ltd has issued guarantees in relation to the lease of the current corporate office in West Perth, as well as corporate credit cards. The bank guarantees amount to \$148,585.
- (b) 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). In January 2011 after the completion of the first two wells, the Autoridade Nacional do Petroleo e Minerais (ANPM) approved the JPDA 06-103 Joint Venture's proposal to vary the PSC work programme. Under the approved variation the decision to drill the fourth commitment well on the JPDA 06-103 PSC would be at the discretion of the Joint Venture if the third well was unsuccessful. The ANPM had also agreed that the PSC may be relinquished if the Operator and the Joint Venture parties decided not to proceed with any further exploration after the third well. On 12 July 2013 the Operator, on behalf of the Joint Venture participants, submitted to the ANPM, a request to terminate the PSC by mutual agreement in accordance with its terms and without penalty or claim due to the ongoing uncertainty in relation to security of tenure. This request required the consent of the Timor Sea Designated Authority.

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

On 15 January 2016 the ANPM advised it was willing to accept US\$13,585,790 as full and final settlement. The Joint Venture rejected this offer on the basis that it considers a nil penalty should be imposed.

The parties continue to engage in discussions to reach an amicable resolution to this matter and the Joint Venture remains hopeful a mutually acceptable outcome can be reached with the ANPM.

The company has not provided for a monetary settlement in its financial statements. As the Joint Venture has made significant overpayments in the work programme, it considers the excess expenditure should be included as part of any financial assessment incorporated in the termination process.

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

The equity interest of the Joint Venture participants are:

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

Contingent Assets at Reporting Date

Contingent assets relate to an insurance claim receivable by the Company for which the amount is not capable of reliable measurement and is not virtually certain and therefore the Company has not provided for this amount in this financial report.

	2016	2015
	\$	\$
Contingent assets not otherwise accounted for in this financial report		
Insurance claim made or pending net of excess up to	<u>900,000</u>	<u>-</u>

NOTE 29 – SUBSEQUENT EVENTS

As announced to the market on 29 September 2016, subsequent to year end, the Board resolved to implement an additional organisation restructure in order to further reduce costs.

The planned changes include:

- an overall reduction in the number of personnel;
- a reduction in salaries and wages for existing personnel;
- review of commercial operations at Cambay and Bhandut Fields;
- careful management of planned drilling and project costs; and
- deferral of all non-essential expenditure.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 30 – PARENT ENTITY DISCLOSURE

As at, and throughout, the financial year ended 30 June 2016 the parent entity of the Group was Oilex Ltd.

	2016 \$	2015 \$
Result of the parent entity		
Loss for the year	(33,765,212)	(17,342,023)
Other comprehensive income	(44,185)	(4,338,245)
Total comprehensive (loss)/income for the year	(33,809,397)	(12,131,985)
Financial position of the parent entity at year end		
Current assets	7,856,401	4,321,870
Total assets	12,514,242	21,999,513
Current liabilities	2,694,250	3,006,980
Total liabilities	4,591,369	5,129,244
Net assets	7,922,873	16,870,269
Total equity of the parent entity comprising of:		
Issued capital	171,513,760	153,928,046
Option reserve	930,742	2,342,059
Foreign currency translation reserve	(1,066,428)	(1,064,413)
Accumulated losses	(163,455,201)	(138,335,421)
Total equity	7,922,873	16,870,269

Parent Entity Contingencies

The Directors are of the opinion that provisions are not required in respect to 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.

- (a) Oilex Ltd has issued guarantees in relation to the lease of corporate offices, as well as corporate credit cards. The bank guarantees amount to \$148,585. An equal amount is held in cash and cash equivalents as security by the banks.
- (b) Oilex Ltd on 7 November 2006 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.

Parent entity capital commitments for acquisition of property plant and equipment

Oilex Ltd had no capital commitments as at 30 June 2016 (2015: Nil).

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

Other than the Performance Guarantee disclosed as parent entity contingencies above, Oilex Ltd has issued no guarantees in respect of debts of its subsidiaries.

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DIRECTORS' DECLARATION


- (1) In the opinion of the Directors of Oilex Ltd (the Company):
 - (a) the consolidated financial statements and notes set out on pages 42 to 84 and the Remuneration Report in the Directors' Report, set out on pages 26 to 40, 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 2016 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
 - (b) there are reasonable grounds to believe that the Company 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 2016.
- (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.



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Mr Max Cozijn
Chairman



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Mr Jonathan Salomon
Managing Director

West Perth
Western Australia
29 September 2016



Independent auditor's report to the members of Oilex Ltd

Report on the financial report

We have audited the accompanying financial report of Oilex Ltd (the Company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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



Auditor's opinion

In our opinion:

- (a) the financial report of Oilex Ltd is 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Material uncertainty regarding continuation as a going concern

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 26 to 40 of the directors' report for the year ended 30 June 2016. 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 responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Oilex Ltd for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

G-71-77

Graham Hogg
Partner

Perth

29 September 2016

Shareholder information as at 27 September 2016

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

(1) Shareholding

(a) Distribution of share and option holdings:

Size of holding	Number of shareholders	Number of unlisted option holders
1 - 1,000	302	-
1,001 - 5,000	518	-
5,001 - 10,000	363	-
10,001 - 100,000	950	3
100,001 and over	562	13
Total	2,695	16

(b) Of the above total 1,889 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.

(2) The name of the Company Secretary is Mr M Bolton.

(3) The address of the principal registered office is Ground Floor, 44a Kings Park Road, West Perth, Western Australia 6005, Australia, Telephone +61 8 9485 3200.

(4) Register of Securities

The register of securities listed on the Australian Securities Exchange is held by Link Market Services Limited, Central Park, Level 4, 152 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.

(5) 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.

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

(7) Directors' interest in share capital and listed options are disclosed in the Directors' Report.

(8) Unquoted Securities – Options

Total unlisted options on issue are 17,250,000.

Mr Salomon (Managing Director) holds no options or shares as at 27 September 2016.

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

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SHAREHOLDER INFORMATION

Twenty Largest Shareholders

Shareholders	Shares Held	% of issued capital
Curmi and Partners Ltd	73,604,878	6.24
Magna Energy Limited	73,505,090	6.23
Zeta Resources Limited	71,323,567	6.04
Barclayshare Nominees Limited	62,818,910 #	5.32
Chase Nominees Limited	50,000,000 #	4.23
TD Direct Investing Nominees (Europe) Limited <SMKTNOMS>	39,539,489 #	3.35
Rock (Nominees) Limited <0324994>	33,092,785 #	2.80
UBS Private Banking Nominees Ltd <MAINPOOL>	32,266,549 #	2.73
HSDL Nominees Limited	28,993,804 #	2.46
James Capel (Nominees) Limited <PC>	28,557,027 #	2.42
Hargreaves Lansdown (Nominees) Limited <VRA>	24,866,055 #	2.11
HSBC Client Holdings Nominee (UK) Limited <731504>	22,529,640 #	1.91
Hargreaves Lansdown (Nominees) Limited <15942>	19,508,604 #	1.65
J P Morgan Nominees Australia Limited	18,236,770	1.55
Hargreaves Lansdown (Nominees) Limited <HLNOM>	17,912,565 #	1.52
Investor Nominees Limited <WRAP>	17,626,369 #	1.49
Share Nominees Ltd	17,447,151 #	1.48
TD Direct Investing Nominees (Europe) Limited SMKTISAS>	15,962,638 #	1.35
Investor Nominees Limited <Nominee>	14,312,102 #	1.21
Vidacos Nominees Limited <FGN>	13,590,000 #	1.15
Total	675,693,993	57.24
Total issued shares as at 27 September 2016	1,180,426,999	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
Zeta Resources Limited	121,232,567	10.28
Magna Energy Limited	119,825,833	10.15

Zeta Resources Limited and Magna Energy Limited hold shares on both ASX and AIM.

(#) Included within the total issued capital are 640,649,121 shares held on the AIM register. Included within the top 20 shareholders are certain AIM registered holders as marked.

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	<p>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.</p> <p>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.</p>
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
Reserves	<p>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.</p> <p>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.</p> <p>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.</p> <p>Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves.^{3P}</p> <p>Probabilistic methods</p> <p>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.</p> <p>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.</p> <p>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.</p>
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

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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)

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