KIMBERLEY OIL NL
ABN 075 075 760 655
AND CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT
31 DECEMBER 2003

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INDEX

**DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2003**

Your Directors submit their financial report for the consolidated entity for the half year ended 31 December 2003

DIRECTORS

The names of the Directors of the company who held office at the date of this report are:

A.J. Flavelle (Executive Director)
A.J. McClure (Executive Director)
T.V. Willsteed (Non Executive Director)

REVIEW AND RESULT OF OPERATIONS

FINANCIAL

The consolidated entity recorded an operating loss after income tax for the half year ended 31 December 2003 of $264,666 (2002: $1,784,247). Included in the loss are non-cash charges of $138,689 (2002:$1,127,403), write-off of development expenditure of $Nil (2002: $382,195) and provision for restoration totalling $43,695 (2002: $108,772) relating to production permits within the Canning Basin.

On 8 October 2003 Kimberley Oil NL issued 12,000,000 fully paid ordinary shares at a price of 5 cents per share by way of a share placement to raise $600,000 for working capital.

On 4 December 2003 the Company issued 2,750,000 series A Director Options at an exercise price of 10 cents each on or before 28 November 2008 and 2,750,000 B Director Options at an exercise price of 7.5 cents each on or before 28 November 2006 to the Directors of the Company in accordance with a Resolution approved by the members at the Annual General Meeting held on 28 November 2003.

The Directors continue to review the carrying values of assets, and at this time have considered it not necessary to adjust the amounts as the accounts reasonably reflect their current values.

OPERATIONAL

Production and Sales

The company's total oil production for the half year ending 31 December, 2003 was 14,565 barrels (2002: 15,103 barrels), marginally down from the previous December half year, due mainly to the continuing natural decline of the currently producing wells.

There were no major interruptions to crude oil production during the half year. Oil production continues from three wells in the Blina field, two wells in West Terrace field and one well in each of the Boundary, Sundown and Lloyd fields. Cash flow from production has generally benefited with improved oil prices, especially subsequent to balance date. However, revenues are being affected, to some extent, by a stronger Australian dollar.

Broome Tank & Pipeline

In accordance with agreements with BP, the storage facility, with a capacity of 120,000 barrels, has been cleaned, tested, inspected and is ready for use. Tests are also being carried out on the Company's pipeline located at the Broome wharf. Now that the company transports its total production directly to the refinery at Kwinana, the Broome facilities are being prepared for use by third parties. Negotiations are in progress to lease the tank and pipeline to a major petroleum product wholesaler in the region.

EXPLORATION

(A) Europe

Coal Bed Methane (CBM) and Coal Mine Methane (CMM).

On 13 August 2003, the Company announced that it had received notification of the granting of the Sulcis Permit in Sardinia, Italy. The Company also announced that it had informed its joint venture partner, Heritage Petroleum PLC, that it will proceed with a reservoir study in accordance with the terms of the agreement.

The Company has paid the First and Second Reimbursable sums of €25,191.68 under the agreement to earn a 10% equity in the Sulcis Permit and has the right to advance to 75% interest for a work program commitment. The Company continues to collect and evaluate geological and technical data pertaining to the coalbed methane potential of the coal seams in the lead up to a proposed drilling program.

The Company also has the right to acquire a 75% interest in three CBM/CMM areas in France which are the subject of applications lodged with the French Authorities. Applications are unopposed and evaluation of technical data from the areas continues.

It is expected that the grant of the Bleue Lorraine permit will occur during the first half of 2004. Granting of the two other applications, Gaz de Gardanne and Gaz de Saint Etienne are expected soon thereafter.

(B) Australia

Following an announcement by the Company on 17 September 2003 that it had received an independent engineering evaluation report on the Pictor Structure in Exploration Permit application 2/96-7 located in the Canning Basin of Western Australia, it continues to evaluate the geological and engineering data available to enable development of an exploration programme for the prospect. Formal grant of the application, which was lodged in 1996, is expected in the first half of 2004.

Farmout Efforts

The Company has continued its efforts to farm-out the drilling of key wells in its Canning Basin acreage, particularly Pictor, Yulleroo, West Boronia, Boundary Up Dip and Janpam North.

OIL SPILL REMEDIATION PROCESS

On 4 February 2004 the Company announced that it had completed an initial agreement with KOSP Limited (KOSP), a United Kingdom company, to allow it to earn an 80% interest in its wholly owned subsidiary, Kimberley Oil Remediation Pty Ltd, (KOR) through the expenditure of A$500,000 in research and development within 12 months from signing of a formal agreement.

Kimberley Oil's remaining 20% equity in KOR will be free carried to a total of $5,000,000 of research and development expenditure after the initial expenditure program.

KOR holds the intellectual property to the Kolascai Oil Solidification Process, an environmentally friendly process relating to the prevention, control and mediation of oil spills.

Patents to the process are held or pending across 20 nations including the United States, Canada, Australia, certain Middle East and Asian countries and the European Union.

This report is signed in accordance with a resolution of the Board of Directors.

DATED at PERTH this 5th day of March 2004

A.J. Flavelle

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A J FLAVELLE
EXECUTIVE DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY	
	31 DEC 2003	31 DEC 2002
	$	$
Sales Revenue	422,068	476,197
Cost of Sales	(312,910)	(361,718)
Gross Profit	109,158	114,479
Other revenue from ordinary activities	51,491	18,602
Depreciation & amortisation expenses	(121,213)	(165,796)
Borrowing cost expenses	(2,404)	(9,780)
Exploration write off & abandonment expenses	(43,695)	(490,967)
Employee expenses	(78,635)	(117,594)
Other expenses from ordinary activities	(179,368)	(1,133,191)
Loss from ordinary activities before income tax expense	(264,666)	(1,784,247)
Income tax (expense) benefit relating to ordinary activities	-	-
Net loss	(264,666)	(1,784,247)
Net loos attributable to members of the parent company	(264,666)	(1,784,247)
Total changes in equity other than those resulting from transactions with owners as owners	(264,666)	(1,784,247)
Basic earnings/(loss) per share (cents per share)	(0.24)	(1.91)
Diluted earnings per share (cents per share)	(0.24)	(1.91)

The accompanying notes form part of this financial report.

KIMBERLEY OIL NL
ABN 075 075 760 655
AND CONTROLLED ENTITIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003

	ECONOMIC ENTITY		
	31 DEC 2003	30 JUNE 2003	31 DEC 2002
	$	$	$
CURRENT ASSETS			
Cash Assets	739,875	507,072	364,621
Receivables	132,442	174,733	87,495
Inventories	143,199	55,477	51,133
Prepayments	71,480	-	54,278
Other	67,261	7,321	49,522
TOTAL CURRENT ASSETS	**1,154,257**	**744,603**	**607,049**
NON-CURRENT ASSETS			
Intangible Assets	221,000	234,000	247,000
Property, Plant & Equipment	2,305,337	2,410,737	2,503,518
Exploration, Evaluation & Development Costs	2,346,060	2,129,155	2,144,160
TOTAL NON-CURRENT ASSETS	**4,872,397**	**4,773,892**	**4,894,678**
TOTAL ASSETS	**6,026,654**	**5,518,495**	**5,501,727**
CURRENT LIABILITIES			
Payables	347,386	322,815	229,002
Provisions and Accruals	134,621	26,062	168,736
Interest Bearing liabilities	-	-	203,165
TOTAL CURRENT LIABILITIES	**482,007**	**348,877**	**600,903**
NON-CURRENT LIABILITIES			
Provisions	754,811	711,116	711,116
TOTAL NON-CURRENT LIABILITIES	**754,811**	**711,116**	**711,116**
TOTAL LIABILITIES	**1,236,818**	**1,059,993**	**1,312,019**
NET ASSETS	**4,789,836**	**4,458,502**	**4,189,708**
EQUITY			
Contributed Equity	10,153,958	9,557,958	9,557,958
Reserves	2,500,000	2,500,000	2,180,000
Accumulated Losses	(7,864,122)	(7,599,456)	(7,548,250)
TOTAL EQUITY	**4,789,836**	**4,458,502**	**4,189,708**

The accompanying notes form part of this financial report.

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY	
	31 DEC 2003	**31 DEC 2002**
	$	**$**
CASH FLOWS FROM OPERATION ACTIVITIES		
Receipts from Customers	497,919	514,780
Payments to Suppliers & Employees	(648,021)	(630,793)
Borrowing Costs	(2,404)	(9,780)
Payments for Exploration and Development Expenditure	(216,905)	(281,158)
Interest Received	9,033	6,689
Tax Paid (GST)	-	-
NET CASH FLOWS (USED IN)/PROVIDED BY OPERATING ACTIVITIES	(360,378)	(400,262)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for Plant & Equipment	(2,819)	(84,408)
Proceeds from sale of Plant and Equipment	-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(2,819)	(84,408)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Proceeds from Issue of Shares	596,000	194,000
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	596,000	194,000
NET INCREASE/(DECREASE) IN CASH HELD	232,803	(290,670)
CASH AT 1 JULY 2003	507,072	655,291
CASH AT 31 DECEMBER 2003	739,875	364,621

The accompanying notes form part of this financial report.

1. BASIS OF PREPARATION

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2003 and any public announcements made by Kimberley Oil NL and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2003 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The consolidated entity has incurred a loss during the period of $264,666 and its available cash at 31 December 2003 is $739,875. The financial statements have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe this to be appropriate for the following reasons:

- The process directed toward the reduction of overhead costs is continuing;
- Discussions are continuing with interested parties to farm-in to its Canning Basin acreage, and its European CBM/CMM acreage,
- Negotiations for a capital funding program are proceeding.

All of the above reasons give your Directors confidence that the consolidated entity will be able to continue its operations into the foreseeable future. However, should alternative funding not become available the Company may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

	31 DEC 2003 $	31 DEC 2002 $
2. LOSS FROM ORDINARY ACTIVITIES		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Provision for restoration costs	(43,695)	(108,772)
Amortisation of development costs	-	(40,000)
Provision for diminution in value of exploration costs	-	-
Write-off production workover expenditure – EP129	-	(382,195)
Special write-down of fixed assets	-	(944,557)

3. DIVIDENDS

No dividends were paid or declared by the economic entity during the half year.

4. SEGMENT INFORMATION

During the half year, the economic entity operated predominantly in one geographical segment being Australia and in one geophysical segment being the exploration and evaluation of mining tenements.

5. CONTINGENT LIABILITIES

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

6. EVENTS SUBSEQUENT TO BALANCE DATE

On 4 February 2004 the Company announced that it had completed an initial agreement with KOSP Limited (KOSP), a United Kingdom company, to allow it to earn an 80% interest in its wholly owned subsidiary, Kimberley Oil Remediation Pty Ltd, (KOR) through the expenditure of A$500,000 in research and development within 12 months from signing of a formal agreement.

Kimberley Oil's remaining 20% equity in KOR will be free carried to a total of $5,000,000 of research and development expenditure after the initial expenditure program.

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DIRECTORS' DECLARATION

The Directors of the company declare that:

1. the financial statements and notes, as set out on pages 4 to 8.

    (a) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and

    (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and its performance for the half-year ended on that date.

2. in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

DATED at PERTH this 5th day of March 2004

A. J. Flavelle

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A J FLAVELLE
Executive Director

Hall Chadwick
Chartered Accountants & Business Advisers

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF KIMBERLEY OIL NL

SCOPE

We have reviewed the financial report of Kimberley Oil NL for the half-year ended 31 December 2003 as set out on pages 4 to 9. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/ Australian Stock Exchange Limited.

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

STATEMENT

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

INHERENT UNCERTAINTY REGARDING CONTINUATION AS A GOING CONCERN

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, the ability of the company to continue as a going concern is dependent upon future capital raisings and the potential to arrange for interested parties to farm-in to its existing projects. Consequently, there is uncertainty as to whether the company will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

HALL CHADWICK
Chartered Accountants

MICHAEL J HILGROVE
Partner

DATED at PERTH this 5th day of March 2004

Hall Chadwick Perth Service

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