

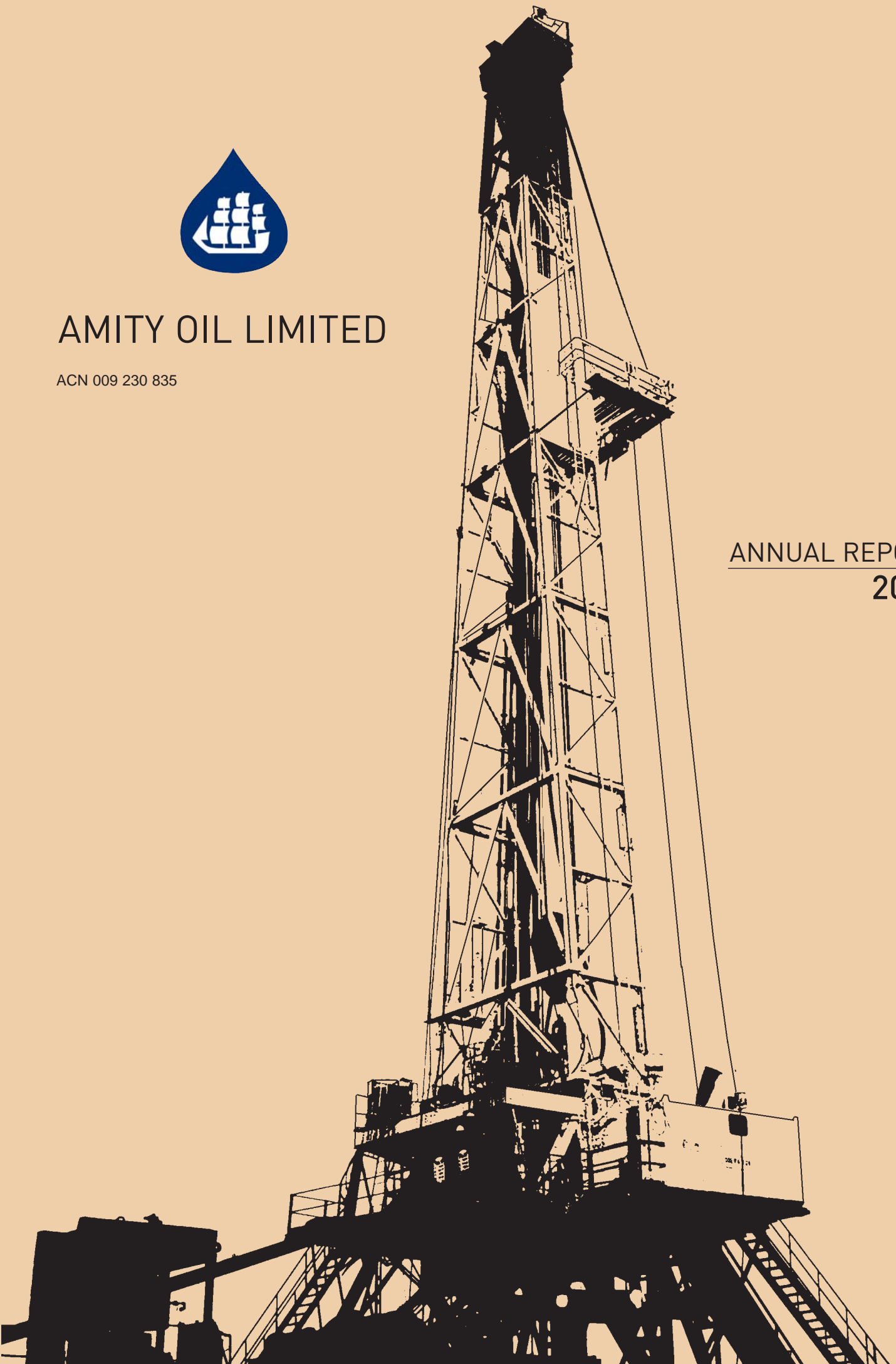


AMITY OIL LIMITED

ACN 009 230 835

ANNUAL REPORT

2004

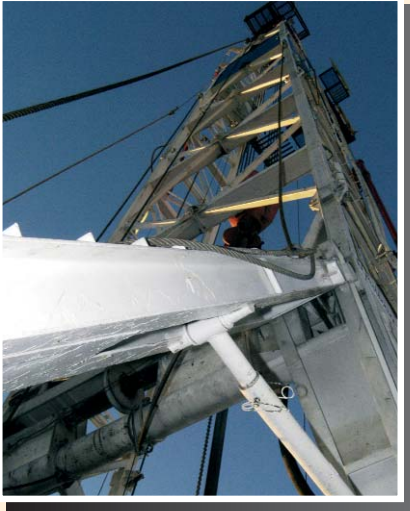




AMITY OIL LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

COMPANY DIRECTORY



DIRECTORS:

Richard Elliott, Non-Executive Chairman
Fraser Campbell, Non-Executive Director
William Hassell, Non-Executive Director
Gavin Rezos, Non-Executive Director
Howard McLaughlin, Managing Director & Chief Executive Officer
James Cruickshank, Executive Director

COMPANY SECRETARY:

David Rich

REGISTERED OFFICE:

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Level 34, Central Park
152 St Georges Terrace
Perth WA 6000

SOLICITORS:

Allens Arthur Robinson
Level 8
40 The Esplanade
Perth WA 6000

BANKERS:

Bank of Western Australia Ltd
1215 Hay Street
West Perth, WA, 6005

SHARE REGISTRY:

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
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VISION

Amity Oil will grow to become one of the top independent exploration and production companies in Australia, with a robust international portfolio of exploration and producing assets.

MISSION

Our mission is to create value for our shareholders through the successful exploration, production, acquisition and marketing of hydrocarbons.





CHAIRMAN'S LETTER

Dear Shareholders

On behalf of the Board of Amity I would like to sincerely thank all shareholders for their support and patience through a difficult year. Despite the fall in our share price there have been many significant milestones achieved this year as well as some disappointments. As many of you have recognised, Amity is in the process of changing its strategic direction that will re-position the company for significant growth in the future. This change in direction is critical and necessary for the future growth of Amity and has shown early signs of success with the presumed discovery at Ellis-1 in Oklahoma.

Our Turkish gas fields have now matured into reliable producing assets and will continue to play an important role in generating cash for our exploration efforts in other regions as well as Turkey. We have increased our gas production as well as diversified our customer base this year. Both the Adatepe and Cayirdere gas fields were developed and brought into production during the year and a 10MMcf/d compressor has now been successfully installed at Gocerler to maintain production levels.

Our exploration strategy in Turkey has shifted away from a high risk multi-basin approach to a single basin, near field approach focused on value. This change in direction in Turkey is in recognition of the poor remaining exploration potential outside the Thrace basin as well as the relatively small field sizes demonstrated in Turkey which limits our ability to significantly grow our production and reserves.

The drilling of Whicher Range-5 this year and the fracture stimulation program that followed unfortunately failed to deliver the commercial outcome that was hoped for. Despite the efforts and use of advanced technology, the field failed to produce gas at the minimum required volumes to yield an attractive commercial project. Whilst we are still in the final clean-up period of the fracture treatment at the time of writing, it is unlikely that we will pursue the development of this field any further. For this reason it was necessary to write off the accumulated expenditure on the project.

Our new CEO and Managing Director, Howard McLaughlin has re-directed the exploration focus to onshore gas opportunities in the United States. We have opened a new office in Dallas, Texas and have a number of exciting new exploration initiatives currently underway. The indicated success of the first well in Ellis County should pave the way for a number of follow up wells.

As this is clearly a major turning point from the past activities of Amity we feel a change of company name is now appropriate to signify the beginning of a new era. We are recommending the adoption of the name of our American subsidiary, Antares Energy as our new global name. This bright southern hemisphere star hopefully will become a name synonymous with international success.

The year going forward will be very exciting with new wells intended to generate significant growth in our production, reserves and share price. In closing I would again like to thank our shareholders and institutional investors as well as the hard working staff in our three regions.

Yours sincerely,

RICHARD ELLIOTT
Chairman



MANAGING DIRECTOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2004



This year has seen many changes at Amity Oil Limited ("Amity").

The Company has delivered its third consecutive operating profit, the Board and management have changed and there is a new strategic direction.

The main objectives that Amity set for itself for last year were three-fold;

- Maximise production in Turkey
- Determine the commerciality of the Whicher Range resource
- Develop an international new ventures exploration programme for continued growth.

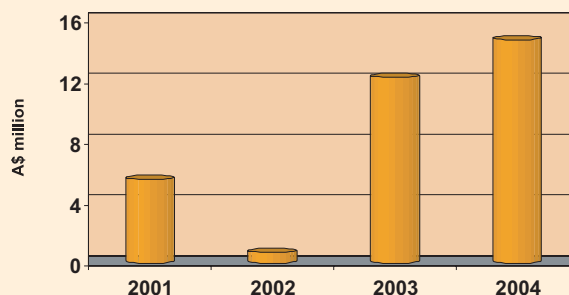
Through the hard work of all concerned, I believe Amity has met these objectives. The progress of the Company during the year and to date is summarised as follows:

TURKEY

Amity has steadily shifted the strategic emphasis for Turkey from exploration to production. The major production focus for the past year has been to achieve full production from the Adatepe and Cayirdere fields and stabilise the pressure decline at Gocerler with the installation of compression and an infill drilling programme. High risk exploration in the Adana, Iskenderun and interior basins was unsuccessful. The focus for exploration is now restricted to the lower risk Thrace Basin. A large 3D seismic survey has been acquired on both sides of Gocerler and Adatepe to give full 3D coverage over our entire Thrace Joint Venture acreage.

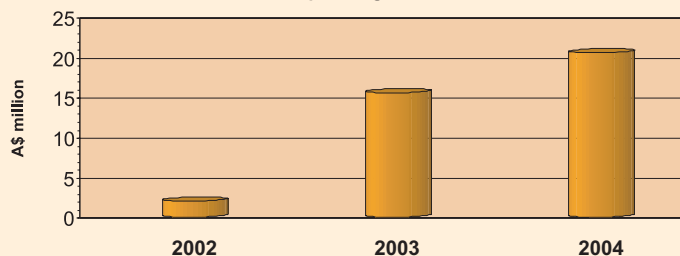
To this point, Amity has achieved an impressive 75% overall drilling success rate in Turkey, with a 92% success rate for all development and appraisal wells. In Thrace, the overall success rate is 83%.

Expenditure on Exploration and Development



If the risks are acceptable and the projects commercially attractive, additional exploration and development wells may be drilled in the coming year to build reserves and enhance production. Emphasis will be placed on increasing profitability and cash flow and minimising discretionary operational costs.

Operating Profit





MANAGING DIRECTOR'S REPORT (Cont.)

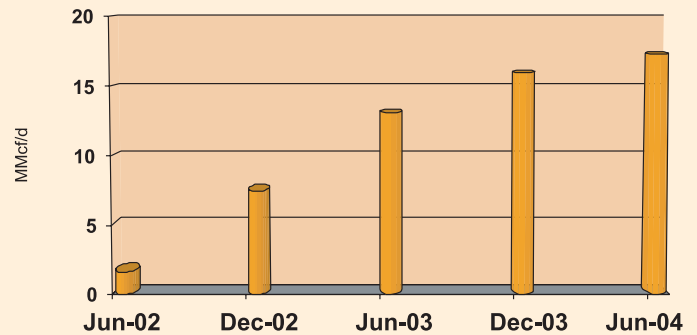
Production Operations

The Gocerler and Adatepe gas projects are located in Area "A" of the Thrace Joint Venture. The Thrace Joint Venture participants are Amity (50%) and the Turkish Government-owned Turkiye Petrolleri A.O. (TPAO) (50%). Amity is the Operator of Area "A". The Cayirdere field is in Area "B" of the Thrace Joint Venture, operated by TPAO. The fields are located some 150 kilometres west of Istanbul.

Since the first delivery of sales gas from the Gocerler gas field on 5 January 2002, over 8.8 billion cubic feet (BCF) had been produced by 30 June 2004. Adatepe and Cayirdere have delivered an additional 1.3 BCF to 30 June 2004. By the end of July 2004, the total gross production from all three fields was up to 10.8 BCF.

We are diversifying our customer base and expect to add additional customers before the end of the year. Fluctuation in daily demand is normal in the Thrace industrial area, with low demand on the weekends and occasional pipeline disruptions from TPAO's other production operations. During the year a gas swap agreement was negotiated and implemented between Amity and TPAO giving Amity greater control over customer relations.

Gross Gas Production
Amity share is 50%





MANAGING DIRECTOR'S REPORT (Cont.)

Gocerler field



In order to maintain Gocerler's production rate, two activities required immediate attention. A 10 million cubic feet/day compressor was ordered from Canada to maintain production once the reservoir pressure fell below the minimum gas plant operating pressure. This unit was constructed, transported and installed on time at Gocerler by the end of July 2004.

This was the first compressor installed in Turkey by a foreign company and one of only a few ever installed in Turkey. Gocerler-6 was also drilled to access reserves in the overlying gas sands within the Gocerler field. This well was put into production in a record two weeks after the drilling rig was released. Both these activities have successfully increased and stabilised production from Gocerler.

After a period of initial production from the Gocerler field, it became apparent that the reservoir pressure was declining quicker than was initially predicted on the basis of early geologically based volumetric calculations. The conclusion drawn from this was that the producible reserves in the main gas sand were either lower than estimated or the wells were not in full communication with all producible gas. This led to the decision to take a 25% reserve downgrade which was announced on 24 November 2003. Whilst this was understandably greeted with disappointment by our shareholders, it was felt at the time that it was appropriate to take a conservative approach.





MANAGING DIRECTOR'S REPORT (Cont.)

Adatepe Field

The Adatepe field was successfully appraised, developed and producing gas by late February 2004, only 8.5 months from the first discovery. A total of six wells have been drilled and four of these wells are currently producing gas. One well is waiting to be tied in. Initial production was accelerated by using a connector pipeline to Gocerler, and then later production was diverted to the completed main pipeline to the Cerkezoy Industrial Park.

The proven design of the Gocerler plant was used as a template for the Adatepe facilities, thereby reducing construction time and cost significantly. An appraisal well, (East Adatepe-1) was drilled by TPAO on a part of the field that was in Area "B". This well was tied into the Adatepe plant in Area "A".



Once put on production, this well indicated a separate production compartment not in direct communication with the other Adatepe wells. A further well (East Adatepe-2) has been drilled this year to exploit the reserves in this region of the field. A project to re-map the field and determine reserves is now underway.

Cayirdere Field

The Cayirdere field was brought into early production by TPAO during December 2003, only seven months from first discovery. Full production was achieved by June 2004 with the tying in of both the Cayirdere 2 and 3 development wells. Production from this field is under the operatorship of TPAO and tends to fluctuate more frequently as a result of other TPAO operations in the region. Field mapping and reserves determination of this field will be conducted after TPAO supplies the newly acquired 3D seismic data and it is interpreted.

Exploration

Drilling

To 30 June 2004, Amity completed four exploration wells and seven appraisal wells in Turkey. Eight wells were successful (Adatepe-2, 3 and 4, East Adatepe-1, Cayirdere 2 and 3, Gocerler-6 and Alpullu-1) and three were not (Yesiltepe-1, Yuksekkoy-1 and Alpullu-2). Yesiltepe-1 flowed gas but indicated definite depletion during testing and Yuksekkoy-1 and Alpullu-2 were dry holes. A decision has not yet been finalised on the future of Alpullu-1 or the remaining exploration potential of the 100% Amity Thrace acreage (Permits 3599, 3798, 3799 & 3800). The main objective of Adatepe-4 was a channel sand developed in the Osmancik Formation, but this unit did not flow gas when tested, however the secondary objective within the Danisman successfully flowed at commercial rates. No decision has been made on the timing of tying this well into the production facilities.



MANAGING DIRECTOR'S REPORT (Cont.)

Thrace Basin

The acquisition of a second 152 square kilometres of 3D seismic in the Thrace Joint Venture area "A" permits was completed on 1 June 2004. A further two 3D surveys, totalling 300 square kilometres are being acquired by TPAO over Area "B" as well as the completion of the Cayirdere 3D that was started last year.



Iskenderun and Adana Basins

After the failure of both Yesiltepe-1 and Yuksekkoy-1 to discover commercial hydrocarbons, all of Amity's equity in both the Adana and Iskenderun basins was transferred to our joint venture partners in February 2004.

Future

Our exploration strategy in Turkey for the future is to focus on the Thrace Basin acreage and drill low risk exploration and development wells to build our gas reserves and production. We are working towards building an attractive inventory of drillable prospects and leads so we will be in a position to test the very best opportunities. We have relinquished all high risk acreage we felt had low commercial potential.

Turkish Gas Market

The Government Energy Marketing Regulatory Authority sets imported gas prices in Turkish currency each month. Prices are high by Australian standards. The 30 June 2004 posted price, converted to US dollars, for interruptible gas for power stations and industrial consumers was US\$4.31 (A\$6.26) per thousand standard cubic feet (Mcf). Joint Venture gas is sold at the posted interruptible price, less a small negotiated discount.

The gas market in Thrace is very large and growing. Thrace is the region between the mega-city of Istanbul and the western border of Turkey. It includes numerous industrial areas, several regional cities with populations up to 1 million, and many smaller towns and villages, all in a fertile rural setting. Long pipelines from Russia and Iran deliver around 97% of Turkish gas imports.





MANAGING DIRECTOR'S REPORT (Cont.)

AUSTRALIA

Whicher Range (EP 408)



The Whicher Range Gas Field is an undeveloped tight gas field, located onshore, some 22 kilometres south of Busselton in Western Australia. The field has estimated gas in place of 3-4 trillion cubic feet in Permian age sandstone reservoirs.

The favourable location of the field, about 35 kilometres south-west of the southern end of the main gas pipeline from the North-West Shelf, means it could compete on price and transport tariff with gas from the North-West-Shelf. A gas supply from Whicher Range would be strategically advantageous for Perth and the South-West, as it would reduce dependence on the long single pipeline from the North-West-Shelf. Strong gas demand from Industry and power generation is being frustrated by lack of supply.

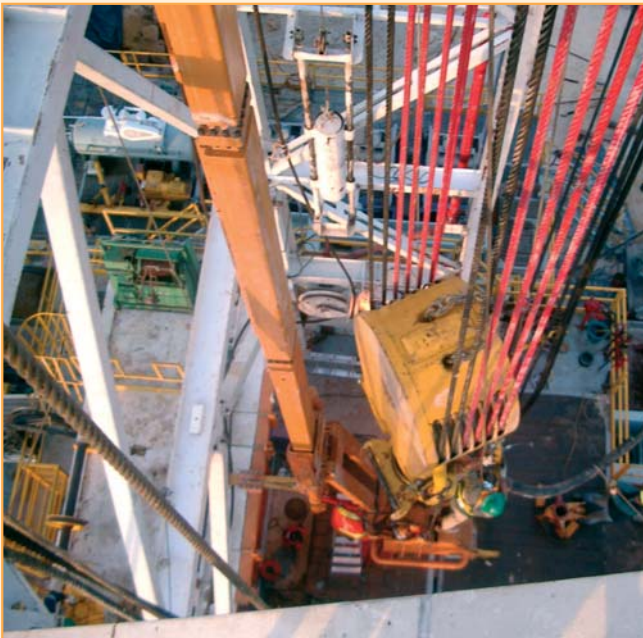
Amity drilled the Whicher Range-5 well between October 2003 and January 2004. This well was designed to drill the reservoir's main section with air and thus avoid the reservoir damage caused by contact with water based drilling fluids. Whilst the upper part of this well was drilled without incident, the air drilled section was problematic. The hole tended to collapse in an unpredictable manner and overcame the ability of the air compressors to clean the hole. Several episodes of stuck pipe, equipment failures and related drilling problems slowed the progress.

The major goal of the well was to determine the viability of air drilling and the impact of removing the reservoir damage caused by water based fluids. More than 200 metres of Sue Group reservoir was successfully air drilled, however no significant increase in gas flow was noted during this drilling, indicating the absence of a natural fracture system and very low permeability of the sandstone reservoir. The well was drilled to a total depth of 4,307 metres with a KCL fluid and cased as a potential gas well.





MANAGING DIRECTOR'S REPORT (Cont.)



A study of this newly acquired data by Geomechanics International (GMI) indicated a great deal of tectonic stress was strongly contributing to the well bore failure and ruling out the potential for under-balanced or horizontal drilling.

As a result of this work planning was initiated for a multi-zone hydraulic fracture stimulation, as this was seen as the only remaining technical alternative to determine commerciality. The programme was modelled from successful stimulations in both the United States and New Zealand.

The fracing equipment was mobilised from New Zealand and special high density sintered bauxite proppant was imported from the United States. All elements of the planning were designed to protect the formation and give the field its best ever chance to flow commercially. The frac fluid was diesel based to eliminate damage caused by water based fluids, the proppant was specially made sintered bauxite to resist the high crush strength of the rock and the perforations were precisely orientated to align with the tectonic forces acting on the field. Five identified zones were to be fraced separately and isolated from each other by drillable plugs.

The fracturing operation began on schedule in mid-July 2004. Despite the

careful planning, unpredictable equipment failures and other operational issues caused delays and sub-optimum performance. The first and third zones were successfully fractured but failed to flow substantial quantities of gas on initial clean up.

Zones two and four were not able to be fractured due to high tensile strength in the rock and tortuosity. Zone five was not attempted due to the poor performance of the first four zones.

At the time of writing the well was slowly producing back the injected frac fluids, however the well is not expected to produce a gas flow at a commercial rate.

Given the results to date, the Board could not justify carrying the cost of the Whicher Range project in the balance sheet, hence all carried forward costs related to Whicher Range were written off in the year to 30 June 2004. The fracturing costs have been incurred in the 2005 financial year and therefore will most likely be written off in that year.

Whilst Amity believes the effort was worth while and desired by many of our shareholders, the results were very disappointing.

Joint venture partners, Korea National Oil Corporation, Seoul City Gas Co., Ltd and GeoPetro Resources Company participated in both the drilling of Whicher Range-5 and the fracturing operation.

NEW VENTURES PROGRAMME

Once the Turkish fields were in production it was decided that Amity needed to begin the search for new plays that could develop into a new independent revenue generating area. A number of criteria were considered important for success, including proximity to market, domestic gas prices, quick cycle time, availability of infrastructure and political and commercial risk.

A number of areas are being considered, with the initial effort directed towards gas exploration opportunities in the USA, specifically in Oklahoma and Texas.



MANAGING DIRECTOR'S REPORT (Cont.)

USA

Oklahoma and Texas

The entry strategy that Amity is employing in the USA is intentionally low risk in the early stages of the programme. This was considered important in order to build reserves and establish cash flows without exhausting existing cash reserves. In the event of early success, new higher impact drilling opportunities will be blended into the programme to increase the reserve and production potential. A number of additional high potential gas exploration plays are currently being pursued and captured in other areas of Oklahoma and Texas.



The targeted region of Oklahoma for the initial tests is an established production area with over 10 producing horizons recognised locally. The initial wells will twin existing but unproduced discoveries drilled in the 1970s. Gas was selling at the time for 15 cents/Mcf and these zones were never produced. At current gas prices success, even with a modest flow rate, will have a strong cash flow impact.

Wells producing from these zones typically produce between 3-10 BCF/section and have flow rates 2-12 MMcf/d with high reservoir and flowing pressures. Amity's plan is to drill the initial wells using a superior casing design and utilising an oil based mud system to protect the formation from damage caused by water based muds. If the first two wells are successful there is scope for a programme of up to 10 additional wells on surrounding acreage already under Amity's control.

This initial area in Ellis County is the first of three independent, exploration plays being captured by Amity in Oklahoma and Texas. Work is progressing well on the second opportunity and land acquisition has already begun.





MANAGING DIRECTOR'S REPORT (Cont.)

CORPORATE

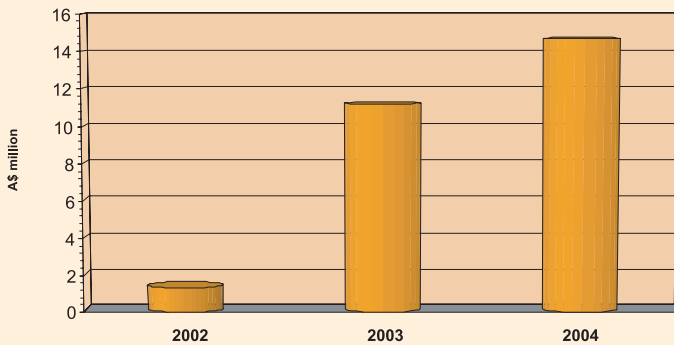
Issue of Convertible Notes

Amity successfully raised A\$10 million through the issue of 5 million unsecured convertible notes. The notes were issued on 31 October 2003 at \$2.00 each. The notes have an interest rate of 10% per annum and are convertible to ordinary shares at the rate of one for one.

The term of the notes is ten years, with a reset of the conversion and interest rates after three years and subsequently at the Company's discretion. The funds were primarily used to develop Amity's two new Turkish discoveries at Adatepe and Cayirdere without having to impact on the company's exploration programme. These developments now have been completed.



Amity Oil Revenue



It was disappointing to have to write down the capitalised values of Whicher Range and the failed exploration areas in Turkey. However, with the Turkish fields producing strongly and logs from our first well in Oklahoma indicating good gas pay ahead of fracturing, we are looking forward to the next year as a period of steady growth in reserves, profitability and shareholder value.

H.M. McLAUGHLIN
Managing Director



DIRECTORS' REPORT

The directors of Amity Oil Limited ("Amity" or "the Company") present their report and the financial report of Amity and the entities it controlled ("the Consolidated Entity") at the end of, or during the year ended 30 June 2004.

1. DIRECTORS

The directors in office at any time during the financial year and until the date of this report are:

Richard Alden Elliott, BS(Hons) MS - Non-Executive Chairman.

Appointed 6 July 2001. Mr Elliott is a member of AAPG (American Association of Petroleum Geologists) and the AICD (Australian Institute of Company Directors). He was Managing Director of Australian Occidental Petroleum during its discovery of the Jabiru, Challis, Harriet and Blina oil fields. After leaving Occidental he was principal of a resource consultancy firm in Western Australia and spent 6 years as Consultant to the Premier of Western Australia. Mr. Elliott is Chairman of the nomination committee and is a member of the audit and compliance and remuneration committees.

Fraser David Campbell, MA, MSc - Non-Executive Director.

Appointed 26 March 2002. Mr. Campbell was formerly General Manager Australasia for the Bank of Scotland and brings to the Company a wealth of experience and strong associations with international corporate finance. He was elected a Fellow of the Institute of Bankers in 1998 and is also a director of JDV Limited. Mr. Campbell is Chairman of the remuneration committee and a member of the audit and compliance and nomination committees.

William R B Hassell A.M., J.P., LL.B., M.A - Non-Executive Director

Appointed 3 September 2004. Mr. Hassell is a qualified lawyer and a former State Member of Parliament, State Minister of the Crown and State Opposition Leader. Mr. Hassell's commercial experience includes property and commercial legal work, consulting work and directorships of public and private companies, including the Government Employees Superannuation Board of Western Australia. Mr. Hassell has also

represented Western Australia as Agent General in Britain and Europe. Mr. Hassell is a director of Hire Intelligence International Limited, a member of the Australian Institute of Company Directors and the Honorary Consul for the Federal Republic of Germany in Western Australia.

Gavin John Rezos, B. Juris, LLB, BA - Non-Executive Director.

Appointed 17 October 2001. Mr. Rezos has extensive Australian and international investment banking experience across a range of industries and in a number of geographical locations including Europe, Latin America, the Middle East and Asia. He was formerly an Investment Banking Director of the HSBC Investment Bank plc, one of the world's largest financial service organisations, with previous regional roles based in London, Sydney and Dubai. Mr. Rezos is also Managing Director of ASX listed pSivida Limited. Mr. Rezos is Chairman of the audit and compliance committee and a member of the nomination and remuneration committees.

Howard Mark McLaughlin - Managing Director & Chief Executive Officer.

Appointed 29 July 2003. Mr. McLaughlin has over 25 years experience in the petroleum industry, with 19 years working with BHPBilliton Petroleum. Mr. McLaughlin's most recent position was as Vice President Global Exploration, based in Houston Texas, where he had overall stewardship of BHPBilliton Petroleum's global oil and gas exploration businesses. Prior to joining BHPBilliton in 1983, he worked for ESSO Resources Canada Ltd for 6 years in Calgary, Alberta. Mr. McLaughlin's extensive international background has focused on exploration, appraisal and business development, and in addition he has held key roles in marketing and strategic planning. Mr. McLaughlin is a member of the nomination committee.

In addition to the above, Mr. Anthony Barton was non-executive Chairman of Amity Oil Limited from the beginning of the financial year until 24 November 2003 and Mr. Peter Allchurch was an executive director from the beginning of the financial year until 25 August 2003.

DIRECTORS' REPORT (Cont.)

During the financial year 13 directors' meetings were held. The number of meetings attended by each director and the number of meetings held during each director's term of office during the financial year are shown below.

	Board of Directors' Meetings		Remuneration Committee Meetings		Audit and Compliance Committee Meetings		Nomination Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R.A. Elliott	13	13	3	3	3	3	1	1
F.D. Campbell	13	13	3	3	3	3	1	1
G.J. Rezos	13	11	1	1	3	3	1	1
H.M. McLaughlin	13	13	-	-	-	-	1	1
A.P. Barton	6	6	1	1	-	-	-	-
P.D. Allchurch	1	1	-	-	-	-	-	-

Mr. W.R.B. Hassell was not a director during the financial year.

COMPANY SECRETARY

David James Rich B.Com, CA, Grad.Dip.CSP, ACIS

Appointed 8 July 2002. Mr. Rich is a Chartered Accountant and a Chartered Secretary. Mr. Rich worked for KPMG for over four years before moving into commerce in 1991. Since then, Mr. Rich has held a number of financial, secretarial and management positions, mostly in listed companies.

At the date of this report, the directors' share and option holdings and relevant interests therein were:

Name of Director	Fully Paid Shares	Convertible Notes	Unlisted Options
R.A. Elliott	255,907	25,000	400,000
F.D. Campbell	125,000	-	400,000
W.R.B. Hassell	11,500	10,500	-
G.J. Rezos	130,000	-	400,000
H.M. McLaughlin	41,000	10,000	1,500,000

Remuneration Committee

At the commencement of the financial year, the Remuneration Committee comprised of Messrs Elliott (Chairman), Barton and Campbell. Mr. Barton retired on 24 November 2003 and was replaced by Mr. Rezos on 15 December 2003. Mr. Campbell assumed the role of Chairman. As at the date of this report, the Remuneration Committee is comprised of Messrs Campbell (Chairman), Elliott and Rezos.

Audit and Compliance Committee

The Audit and Compliance Committee currently comprises of Messrs Rezos (Chairman), Elliott and Campbell.

Nomination Committee

The Nomination Committee is comprised of Messrs Elliott (Chairman), Campbell, Rezos and McLaughlin. Mr. Barton was Chairman of the Nomination Committee until his retirement on 24 November 2003.



DIRECTORS' REPORT (Cont.)

2. PRINCIPAL ACTIVITIES

The principal activities of the entities within the Consolidated Entity during the financial year were hydrocarbon exploration in Australia and the United States of America and hydrocarbon production and exploration in Turkey.

3. FINANCIAL RESULTS

The net loss after income tax of the Consolidated Entity for the financial year ended 30 June 2004 totalled \$8,260,560 (2003 Profit: \$287,240).

This is equivalent to a loss of 5.2 cents per share (2003: profit of 0.2 cents per share).

4. DIVIDEND

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year, or to the date of this report.

5. SHARE OPTIONS

During the year ended 30 June, 2004 and to the date of this report 1,048,523 fully paid ordinary shares in the capital of Amity were issued following exercise of options (1,033,449 during the year to 30 June 2004 and 15,074 post 30 June 2004).

At the date of this report, the Company has 5,428,333 options for ordinary fully paid shares on issue as follows.

Number of Options	Exercise Price	Expiry Date
1,000,000 - unlisted	\$0.50	26 September 2005
800,000 - unlisted	\$1.22	29 November 2005
400,000 - unlisted	\$1.22	11 November 2006
648,333 - unlisted	\$1.22	20 December 2006
100,000 - unlisted	\$1.22	24 January 2007
240,000 - unlisted	\$1.22	23 April 2007
1,500,000 - unlisted	\$1.35	1 July 2007
25,000 - unlisted	\$1.22	30 July 2007
50,000 - unlisted	\$1.33	28 August 2007
390,000 - unlisted	\$1.22	12 December 2007
275,000 - unlisted	\$1.22	13 July 2008
<u>5,428,333</u>		

Refer to Notes 21 and 24 of the financial statements for more details.

38,182,286 options, exercisable at \$1 expired unexercised on 4 September 2004.

Optionholders do not have any right by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.



DIRECTORS' REPORT (Cont.)

6. CORPORATE STRUCTURE

Amity Oil Limited is a company limited by shares that is incorporated and domiciled in Australia.

7. REVIEW OF OPERATIONS

A review of operations is included in the Managing Director's report.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments and expected results are covered in the Managing Director's Report.

9. ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity is subject to significant environmental regulations under Commonwealth and State legislation. The consolidated entity is also a party to various exploration and development licences in the countries in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdictions. The consolidated entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no known breaches of the environmental obligations of the consolidated entity's licences.

10. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS

Remuneration Policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions. As an overall objective, the Board seeks to remunerate in such a way that motivates directors and management to pursue the long-term growth and success of the Company within an appropriate control framework and demonstrates a clear relationship between key executive performance and remuneration. Further details on the remuneration of directors and executives are provided in note 24 to the financial statements.

To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All employees have the opportunity to qualify for participation in the Employee Option Plan. Details regarding the issue of share options under this plan are provided in note 21(c) to the financial statements.

The Company's Remuneration Policy is outlined in the Corporate Governance Policy available on the Company's website at www.amityoil.com.au.



DIRECTORS' REPORT (Cont.)

The following table sets out remuneration paid to directors of the Company and executive officers of the Company and Consolidated Entity during the reporting period.

	Directors' Fees	Base Salary	Bonuses	Superannuation	Benefits & Allowances	Option Benefit** Granted	Option Benefit** Amortised
	\$	\$	\$	\$	\$	\$	\$
Directors							
R.A. Elliott	46,009	-	-	4,141	-	-	17,942
F.C. Campbell	32,500	-	-	-	-	-	25,249
G.J. Rezos	32,500	-	-	-	-	-	17,942
H.M. McLaughlin	-	323,998	-	11,002	-	349,050	-
A.P. Barton	20,000	-	-	1,800	-	-	-
P.D. Allchurch*	-	55,881	-	1,834	337,875	-	12,274
Executive Officers							
D.J. Rich	-	202,199	29,419	11,002	-	6,790	9,071
T.M. Schmedje	-	171,072	19,420	11,002	-	6,790	8,247
S. F. Alpay	-	167,081	30,000	-	25,329	-	-

The terms "director" and "officer" have been treated as mutually exclusive for the purposes of disclosure. Mr. Hassell was not a director during the reporting period.

* As required under his employment contract, Mr. Allchurch was paid \$282,750 upon his resignation on 25 August 2004. A further \$55,125 of accrued leave was also paid. These amounts are included in benefits and allowances.

** The option benefit above represents the amortised value of options vesting in the financial year. The options have been valued using the Black and Scholes model. Details of the options and inputs used are set out in Note 24.



DIRECTORS' REPORT (Cont.)

11. INDEMNIFICATION OF DIRECTORS AND COMPANY SECRETARY

An indemnity agreement has been entered into with each of the directors of the Company as at the end of the reporting period (as named in section 1 of this report) and the Company Secretary. Under the agreement, the Company has agreed to indemnify those directors and the Company Secretary against any claim or for any expenses or costs that may arise as a result of work performed in their respective capacities. There is no monetary limit to the extent of this indemnity.

The Company paid an insurance premium of \$47,591 for a period of one year commencing 31 March 2004 in respect of a contract insuring directors and officers against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

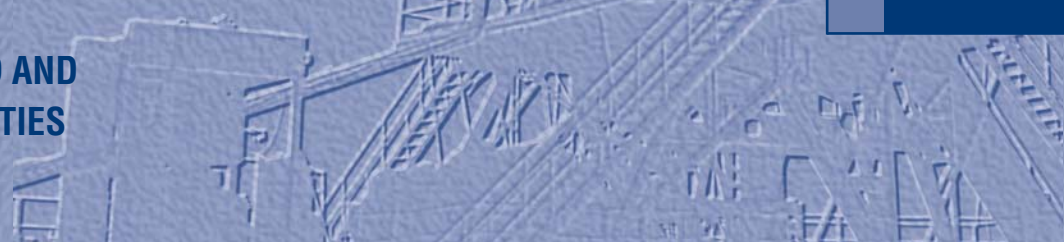
12. RISK MANAGEMENT

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board, through the Audit and Compliance Committee, maintains a risk register ranking all the identified risks of the business and how the significant risks are being managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of both financial and non- financial KPIs .
- Regular reviews of the risk register by the Audit and Compliance Committee and subsequent reporting to the Board.



DIRECTORS' REPORT (Cont.)

13. STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the financial year ended 30 June, 2004 were as follows:

An increase in share capital from \$59,126,615 to \$60,960,064 as follows:

Opening Balance, 1 July 2003	\$ 59,126,615
Issue of 1,033,449 fully paid ordinary shares on exercise of \$1.00 options	\$ 1,033,449
Equity component of the 5,000,000 Convertible Notes issued on 31 October 2003 (see Note 16 to the financial statements)	<u>\$ 800,000</u>
Closing Balance, 30 June 2004	<u>\$ 60,960,064</u>

14. SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in subsequent financial years, except for:

Whicher Range

Amity conducted a fracture stimulation programme on the Whicher Range Gas Field from July to September 2004. Although the final testing phase of the operation is still underway, the programme has not generated any commercial gas flows to date and indications are it is unlikely to do so. Hence the directors have decided that the requirements for carrying forward the asset under Accounting Standard AASB 1010 cannot be met. As a result of this decision, deferred exploration and evaluation expenditure of \$8,842,088, being the carrying value of Whicher Range at 30 June 2004, has been expensed in the financial statements to 30 June 2004. Subsequent to 30 June 2004, approximately \$3,400,000 has been incurred in the fracture stimulation programme and these costs are expected to be written off in the financial year to 30 June 2005.

15. TAX CONSOLIDATION

Effective 1 July 2002, for the purposes of income taxation, Amity Oil Limited and its 100% owned Australian owned subsidiaries have formed a tax consolidated group. Members of the group intend to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. The method to be used has not yet been determined.

16. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Amity Oil Limited support and in general have adhered to the principles of corporate governance.

Signed in accordance with a resolution of directors.

R.A. ELLIOTT

Chairman

West Perth, Western Australia

29 September, 2004



Statements of Financial Performance

Amity Oil Limited and its Controlled Entities for the Year Ended 30 June 2004

	Note	Consolidated		Parent	
		2004	2003	2004	2003
		\$	\$	\$	\$
Sales revenue from ordinary activities	2	20,630,460	15,515,799	-	-
Cost of goods sold	3	(8,997,123)	(5,587,626)	-	-
		11,633,337	9,928,173	-	-
Revenues from non-operating activities	2	1,798,575	4,427,226	8,325,938	5,688,485
Expenses from non-operating activities	3	167,709	(2,771,444)	306,898	(4,435,253)
		13,599,621	11,583,955	8,632,836	1,253,232
General and administrative expenses	3	(3,599,575)	(3,619,876)	(863,443)	(2,513,770)
Exploration expenditure written off	3, 11	(19,137,126)	(4,317,761)	(26,476)	(2,440,828)
Provision for non-recovery of loans to controlled entities		-	-	(4,515,985)	3,329,285
Provision for diminution of investments in controlled entities	9	-	-	(10,405,239)	-
Borrowing costs	3	(973,667)	(13,919)	(973,667)	(13,919)
Foreign exchange gain/(loss)		(88,159)	293,869	405,040	(1,198)
(Loss)/Profit from ordinary activities before income tax expense		(10,198,906)	3,926,268	(7,746,934)	(387,198)
Income tax benefit/(expense) relating to ordinary activities	4	1,938,346	(3,639,028)	-	-
(Loss)/Profit from ordinary activities after income tax attributable to members of Amity Oil Limited	20	(8,260,560)	287,240	(7,746,934)	(387,198)
Net exchange differences on translation of net assets of controlled overseas entity	19	-	(160,812)	-	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of Amity Oil Limited		(8,260,560)	126,428	(7,746,934)	(387,198)
Basic (loss)/earnings per share (cents):	28	(5.2)	0.2		
Diluted (loss)/earnings per share (cents):	28	(5.2)	0.2		

The statements of financial position are to be read in conjunction with the notes to the financial statements.



Statements of Financial Position

Amity Oil Limited and its Controlled Entities as at 30 June 2004

	Note	Consolidated		Parent	
		2004	2003	2004	2003
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets		19,692,395	13,904,258	16,752,232	9,434,498
Receivables	5	6,988,409	6,323,645	23,961,611	23,781,042
Inventories	6	473,623	1,076,915	-	-
Other	7	133,369	-	133,369	-
Total current assets		27,287,796	21,304,818	40,847,212	33,215,540
NON-CURRENT ASSETS					
Receivables	8	1,383,032	2,162,022	1,383,032	2,162,022
Other financial assets	9	-	-	33,046	10,664,394
Property, plant and equipment	10	5,764,744	4,292,151	150,403	263,721
Deferred exploration and evaluation expenditure	11	13,816,897	19,290,338	-	122,268
Other	12	177,825	-	177,825	-
Total non-current assets		21,142,498	25,744,511	1,744,306	13,212,405
TOTAL ASSETS		48,430,294	47,049,329	42,591,518	46,427,945
CURRENT LIABILITIES					
Payables	13	4,565,192	4,422,917	919,508	1,323,543
Current tax liabilities	4	40,084	230,450	-	-
Provisions	14	628,659	295,629	128,659	295,629
Total current liabilities		5,233,935	4,948,996	1,048,167	1,619,172
NON-CURRENT LIABILITIES					
Payables	15	123,071	192,388	123,071	6,852,381
Interest-bearing liabilities	16	9,377,373	-	9,377,373	-
Deferred tax liabilities	4	1,469,975	3,437,927	-	-
Provisions	17	183,033	-	-	-
Total non-current liabilities		11,153,452	3,630,315	9,500,444	6,852,381
TOTAL LIABILITIES		16,387,387	8,579,311	10,548,611	8,471,553
NET ASSETS		32,042,907	38,470,018	32,042,907	37,956,392
EQUITY					
Contributed equity	18	60,960,064	59,126,615	60,960,064	59,126,615
Reserves	19	293,969	293,969	-	-
Accumulated losses	20	(29,211,126)	(20,950,566)	(28,917,157)	(21,170,223)
TOTAL EQUITY		32,042,907	38,470,018	32,042,907	37,956,392

The statements of financial position are to be read in conjunction with the notes to the financial statements.

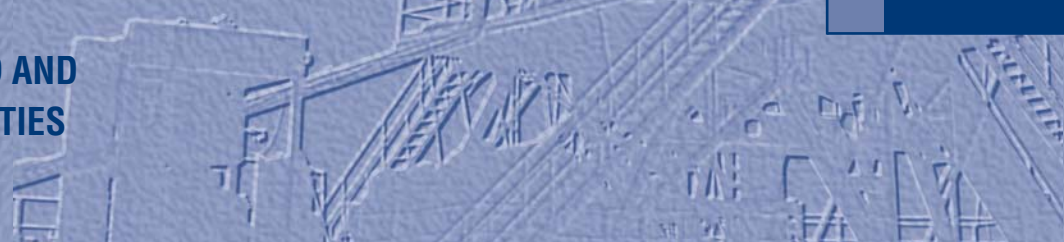


Statements of Cash Flows

Amity Oil Limited and its Controlled Entities for the Year Ended 30 June 2004

	Note	Consolidated		Parent	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		19,202,892	14,448,620	-	199,641
Dividends received	26(b)	-	-	504,571	-
Payments to suppliers and employees		(8,760,372)	(5,687,667)	(1,215,398)	(719,910)
Interest received		1,098,347	658,166	735,330	645,482
Interest paid		(540,258)	(13,919)	(540,258)	(13,919)
Income tax (paid)/received		(219,972)	31,567	-	-
Other income		-	-	235,840	-
Net cash inflows/(outflows) from operating activities	26(a)	10,780,637	9,436,767	(279,915)	111,294
Cash flows from investing activities					
Payments for property, plant and equipment		(2,627,242)	(6,035,984)	(35,942)	(2,689,082)
Exploration and evaluation expenditure		(14,733,504)	(12,179,381)	(27,974)	(624,013)
Loans to subsidiaries		-	-	(5,016,690)	(8,514,804)
Investment in subsidiaries		-	-	(2)	(32,901)
Proceeds of repayment of capital by a subsidiary		-	-	226,111	-
Proceeds of loans from related party		-	-	-	(102,665)
Proceeds from sale of prospects		416,537	663,538	400,000	-
Proceeds from sale of property, plant and equipment		102,265	-	102,265	-
Proceeds from rig sale in prior year	26(c)	1,316,539	-	1,316,539	-
Net cash outflows from investing activities		(15,525,405)	(17,551,827)	(3,035,693)	(11,963,465)
Cash flows from financing activities					
Proceeds from issue of shares		1,033,449	12,719,149	1,033,449	12,719,149
Proceeds from borrowings – convertible notes		10,000,000	-	10,000,000	-
Costs associated with convertible notes issue		(400,107)	-	(400,107)	-
Net cash inflows from financing activities		10,633,342	12,719,149	10,633,342	12,719,149
Net increase in cash held		5,888,574	4,604,089	7,317,734	866,978
Cash at the beginning of the financial year		13,904,258	9,167,112	9,434,498	8,568,718
Effects of exchange rate changes on cash		(100,437)	133,057	-	(1,198)
Cash at the end of the financial year		19,692,395	13,904,258	16,752,232	9,434,498

The statements of financial position are to be read in conjunction with the notes to the financial statements.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

(c) Principles of consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising Amity Oil Limited (the parent Company) and all entities that Amity Oil Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the Consolidated Entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Translation of financial reports of overseas operations

The operations of Roebuck Resources, Inc (a controlled entity) until 30 June 2003 were deemed self-sustaining, as it was financially and operationally independent of Amity Oil Limited.

All other overseas operations, and Roebuck Resources, Inc from 1 July 2003, are deemed to be integrated, as they are financially and operationally dependent on Amity Oil Limited. Their financial reports are translated using the temporal method and exchange differences are taken directly to the Statements of Financial Performance.

(e) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of any outstanding bank overdrafts.

(f) Receivables

Trade receivables are recognised and carried at original invoice amount less any provision for any uncollectible debts.

(g) Investments

Investments in controlled entities are carried at the lower of cost and recoverable amount.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(h) Inventories

Manufacturing and maintenance

Inventories are valued at the lower of cost and net realisable value. The cost of raw materials is determined as the cost incurred in bringing each product to its present location and condition on a first-in-first-out basis.

(i) Property, plant and equipment

Cost and valuation

All classes of property, plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment.

Major depreciation rates used are:	2004	2003
Plant and equipment	20% Straight Line	20% Straight Line
Motor vehicles	22.5% Diminishing Value	22.5% Diminishing Value
All other assets	33% Straight Line	33% Straight Line

Recoverable amount is assessed as set out in Note (k) below.

(j) Joint venture operations

Interests in joint venture operations are recognised by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred.

The Consolidated Entity does not have any interests in joint venture entities.

(k) Exploration, evaluation, development and restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Amortisation

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

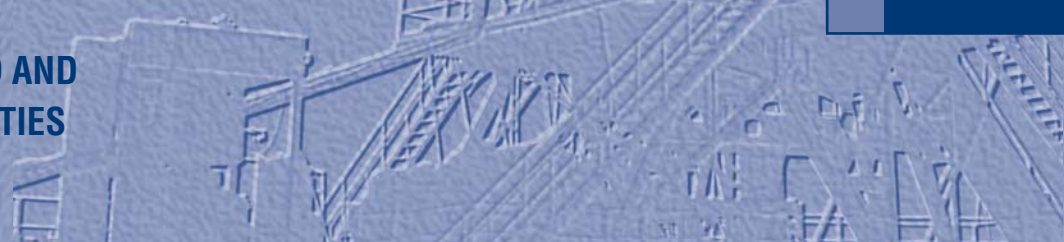
Restoration

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs relate mainly to obligations for the restoration of operational sites.

These estimates of the restoration obligations are based on existing technology and legal requirements and future costs, which have not been discounted to their present value. Any changes in the estimates are adjusted on a prospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Government legislation in relation to restoration of such sites in the future.

Recoverable amount

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining the recoverable amount, the expected net cash flows have been discounted.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Other non-current assets

Receivables

Receivables expected to be realised more than one year after the end of the financial year are discounted to the net present value at an appropriate discount rate, being the Company's incremental borrowing rate.

(m) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

Payables to related parties are carried at the principal amount.

(n) Provisions

Provisions are recognised when the Consolidated Entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(o) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and assets

Control of the goods and assets has passed to the buyer.

Interest and dividends

Control of the right to receive the interest or dividend payment.

(q) Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

The Company elected to form a tax consolidated group for income tax purposes with effect from 1 July 2002. The Australian Tax Office has been formally notified of this decision. The Company as the head entity recognises all of the tax expense, deferred tax assets and liabilities of the tax consolidated group.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where 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 are stated with the amount of GST included.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the 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 are 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) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

Employee benefit expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and
- other types of employee benefits

are recognised against profits on a net basis in their respective categories.

The value of the equity based compensation scheme described in Note 21 is not being recognised as an employee benefits expense.

(s) Earnings per share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary shares.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

(u) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 2 REVENUE FROM ORDINARY ACTIVITIES				
Revenues from operating activities:				
Sales revenue	20,630,460	15,515,799	-	-
Revenues from non-operating activities:				
Interest received	1,279,773	658,166	916,756	645,482
Proceeds from disposal of licence interests	416,537	663,538	400,000	1,743,538
Proceeds from disposal of plant and equipment	102,265	3,099,824	102,265	3,099,824
Dividend from subsidiary	-	-	1,693,435	-
Intercompany debt forgiveness	-	-	4,977,642	-
Other	-	5,698	235,840	199,641
Total revenues from non-operating activities	1,798,575	4,427,226	8,325,938	5,688,485
Total revenues from ordinary activities	22,429,035	19,943,025	8,325,938	5,688,485
NOTE 3 EXPENSES AND LOSSES/(GAINS)				
(a) Expenses				
Cost of goods sold:				
Government production taxes and royalties	2,578,808	1,939,475	-	-
Depreciation and amortisation expenses	2,925,491	1,255,898	-	-
Provision for restoration	183,033	-	-	-
Other production costs	3,309,791	2,392,253	-	-
Total cost of goods sold	8,997,123	5,587,626	-	-
Expenses from non-operating activities:				
Reversal of provisions and other credits related to exploration	(303,199)	-	(442,388)	-
Net book value of fixed assets sold	13,904	2,691,715	13,904	2,691,715
Net book value of licence interests sold	121,586	79,729	121,586	1,743,538
Total (credits)/expenses from non-operating activities	(167,709)	2,771,444	(306,898)	4,435,253



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 3 EXPENSES AND LOSSES/(GAINS) (Cont.)

General and administrative expenses include:

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Operating lease payments	208,729	184,819	208,729	184,819
Provision for employee entitlements	(9,970)	54,910	(9,970)	54,910
<i>Auditors' remuneration (received/receivable)</i>				
Current auditors of parent entity (Ernst & Young)				
- Audit and review of the financial statements	79,905	45,000	79,905	45,000
- Other assurance services	21,644	-	21,644	-
- Taxation services	211,529	164,333	211,529	164,333
Previous auditors (HLB Mann Judd)				
- Audit and review of the financial statements	-	5,000	-	5,000
- Other services	-	24,435	-	24,435
	313,078	238,768	313,078	238,768

Exploration expenditure written off includes:

Provision for loss on disposal of inventory	-	293,166	-	-
Provision for restoration	500,000	157,000	-	157,000

Borrowing costs:

Convertible notes interest paid/payable	665,623	-	665,623	-
Convertible notes implicit interest (note 16)	177,373	-	177,373	-
Convertible notes issue costs amortisation	88,913	-	88,913	-
Other	41,758	13,919	41,758	-
	973,667	13,919	973,667	-

Reconciliation of depreciation and amortisation:

Depreciation of property, plant & equipment	1,353,534	1,229,290	135,355	193,827
Amortisation of costs of areas of interest in production	1,791,524	370,127	-	-
Total depreciation and amortisation expenses	3,145,058	1,599,417	135,355	193,827

Charged to the following areas:

- included in cost of goods sold	2,925,491	1,255,898	-	-
- included in general and administrative	219,567	343,519	135,355	193,827
Total depreciation and amortisation charges	3,145,058	1,599,417	135,355	193,827



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 3				
EXPENSES AND LOSSES/(GAINS) (Cont.)				
(b) Gains				
Gain on disposal of property, plant & equipment	88,361	412,717	88,361	412,717
Gain on disposal of licence interests	276,746	583,809	260,209	-

(c) Disposal of Drilling Rig

In 2003, a gain on disposal of property, plant and equipment of \$408,109 arose from the sale of a drilling rig to a company in Turkey. The consideration for the sale was \$3,603,370 which is payable over a period of up to 42 months from a portion of the revenues earned by the purchaser from the provision of drilling services to customers. Consideration less costs resulted in an estimated profit of \$911,655, however as the consideration will be received over a deferred period, the \$3,603,370 was discounted to a net present value of \$3,099,824, resulting in a gain on disposal of \$408,109 being recognised in 2003 and the balance of \$503,546 was booked to deferred income. (See Notes 13 and 15). The part of the consideration expected to be received within 12 months is included in current receivables (Note 5) and the balance is included in non-current receivables (Note 8). The receivable is secured over the assets until paid.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 4 INCOME TAX

The prima facie income tax, using tax rates applicable in the country of operation on profit differs from the income tax provided in the financial statements as follows:

Prima facie tax on (loss)/profit from ordinary activities (30%)

Overseas tax rate differential

Tax effect of permanent differences:

- change in corporate tax rate - Turkey

- investment incentives in Turkey

- other permanent differences

- non assessable intercompany dividend

- non assessable gain on forgiveness of intercompany debt

- future income tax benefit not brought to account

Income tax (benefit)/expense

Charged to:

Current tax payable

Deferred tax liabilities

Income tax losses

Future income tax benefit arising from tax losses not recognised at reporting date as realisation of the benefit is not regarded as virtually certain

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Prima facie tax on (loss)/profit from ordinary activities (30%)	(3,059,672)	1,177,880	(2,324,080)	(116,159)
Overseas tax rate differential	(100,343)	1,142,915	-	-
Tax effect of permanent differences:				
- change in corporate tax rate - Turkey	(335,979)	-	-	-
- investment incentives in Turkey	(626,918)	-	-	-
- other permanent differences	83,212	-	83,212	-
- non assessable intercompany dividend	-	-	(508,031)	-
- non assessable gain on forgiveness of intercompany debt	-	-	(1,493,293)	-
- future income tax benefit not brought to account	2,101,354	1,318,232	4,242,192	116,159
Income tax (benefit)/expense	(1,938,346)	3,639,028	-	-
Charged to:				
Current tax payable	29,606	201,101	-	-
Deferred tax liabilities	(1,967,952)	3,437,927	-	-
Income tax losses				
Future income tax benefit arising from tax losses not recognised at reporting date as realisation of the benefit is not regarded as virtually certain	8,990,126	6,350,223	8,990,126	6,350,223



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 4 INCOME TAX (Cont.)

Income Tax on Turkish Profits

Under Turkish tax legislation, most exploration expenditure, including wells and seismic, is fully tax deductible in the year it is incurred. Under Australian Accounting Standards such exploration, if successful, may be carried forward and amortised over a period of time.

Applying Australian Accounting Standards, income tax expense is calculated by multiplying the amount of profit from the Turkish operations, excluding exploration expenditure written off in Turkey (but carried forward in Australia), by the effective Turkish tax rate of 39.7% (2003: 44%). The Australian tax losses are not able to be offset against this income.

The Company is not currently in a tax payable situation in Turkey but expects to be in the year ending 30 June 2005.

Deferred Tax Liabilities

The provision for deferred income tax relates to the Turkey operations and recognises the tax effect of the difference in net tax value of non-current assets in Turkey and their carrying value in the Consolidated Entity's books.

Future Income Tax Benefit

The future income tax benefit will only be obtained if:

- (i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Consolidated Entity in realising the benefit.

Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Amity Oil Limited and its 100% owned Australian controlled entities formed a tax consolidated group. Members of the group intend to enter into a tax sharing arrangement. The form of the tax sharing agreement has not been finalised. However, the intent of the tax sharing agreement is to provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Amity Oil Limited.

NOTE 5 RECEIVABLES (CURRENT)

Trade debtors
Receivables (Note 3(c))
Other receivables and prepayments
Loans to controlled entities
Provision for non-recovery of intercompany loans

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Trade debtors	5,084,885	2,140,175	-	-
Receivables (Note 3(c))	922,034	1,441,348	922,034	1,441,348
Other receivables and prepayments	981,490	2,742,122	443,590	244,412
Loans to controlled entities	-	-	27,310,372	22,293,682
Provision for non-recovery of intercompany loans	-	-	(4,714,385)	(198,400)
	6,988,409	6,323,645	23,961,611	23,781,042

Commercial arrangements within a joint venture have changed such that the Company's subsidiary, Amity Oil International Pty Ltd, is now responsible for the collection of all trade debtors (2003: 50%).

The loans to Controlled Entities have no set repayment terms and are non-interest bearing.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 6 INVENTORIES				
Inventory (materials) - at cost	473,623	1,370,081	-	-
Provision for diminution in value	-	(293,166)	-	-
	473,623	1,076,915	-	-
NOTE 7 OTHER CURRENT ASSETS				
Convertible notes issue costs (Note 16)	133,369	-	133,369	-
NOTE 8 RECEIVABLES (NON-CURRENT)				
Receivables (Note 3(c))	1,383,032	2,162,022	1,383,032	2,162,022



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 9 OTHER FINANCIAL ASSETS (NON-CURRENT)

The investments included in the financial statements comprise:

Share in controlled entities - at cost
Provision for diminution in value

Consolidated		Parent	
2004	2003	2004	2003
\$	\$	\$	\$
-	-	10,438,285	10,664,394
-	-	(10,405,239)	-
-	-	33,046	10,664,394

Controlled entities of Amity Oil Limited:

Roebuck Resources Inc.

Amity Oil International Pty Ltd

International Oil and Gas Services B.V.

Southern Amity Limited

Great Southern Oil NL

Southern Amity, Inc

Santa Energy Pty Ltd

Controlled entities of Southern Amity Limited:

Bonaparte Gulf Oil & Gas Pty Ltd

Latrobe Oil & Gas Pty Ltd

Controlled entity of Great Southern Oil NL:

Bonaparte Gulf Petroleum NL

Controlled entity of Santa Energy Pty Ltd:

Antares Energy Company

Country of Incorporation	Class of Share	2004 % Held	2004 \$ Cost	2003 % Held	2003 \$ Cost
USA	Common Stock	100	143	100	143
	Preferred Stock	-	-	100	226,111
Australia	Ord Shares	100	-	100	-
Netherlands	Ord Shares	100	32,901	100	32,901
Australia	Ord Shares	100	-	100	-
Australia	Ord Shares	100	7,622,785	100	7,622,785
British Vir Isl.	Ord Shares	100	2,782,454	100	2,782,454
Australia	Ord Shares	100	2	-	-
			10,438,285		10,664,394
Australia	Ord Shares	100	-	100	-
Australia	Ord Shares	100	-	100	-
Australia	Ord Shares	100	-	100	-
USA	Common Stock	100	14	-	-

During the financial year ended 30 June 2004:

- Roebuck Resources, Inc commenced the process of being liquidated and repaid its preferred stock of \$226,111 to Amity Oil Limited.
- Santa Energy Pty Ltd was incorporated with capital of \$2.
- Antares Energy Company was incorporated with capital of \$14.
- Amity Oil Limited was the ultimate parent entity.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 10 PROPERTY, PLANT AND EQUIPMENT				
Office equipment, vehicles and furniture - cost	955,884	1,354,092	565,531	996,897
Accumulated depreciation	(649,340)	(883,176)	(415,128)	(733,176)
	306,544	470,916	150,403	263,721
Production facilities, plant and equipment - cost	7,190,053	4,652,078	-	-
Accumulated depreciation	(2,258,736)	(1,124,767)	-	-
	4,931,317	3,527,311	-	-
Producing assets under construction:				
Production facilities - Turkey - cost	526,883	293,924	-	-
Total Property, Plant and Equipment	5,764,744	4,292,151	150,403	263,721
Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:				
Office equipment, vehicles and furniture				
Balance at start of year	470,916		263,721	
Additions	69,097		35,942	
Disposals - at cost	(437,732)		(437,733)	
Depreciation	(219,567)		(135,355)	
Disposals - accumulated depreciation	423,828		423,828	
Balance at end of year	306,544		150,403	
Production facilities, plant and equipment				
Balance at start of year	3,527,311		-	
Additions	2,244,049		-	
Transfers from producing assets under construction	293,924		-	
Depreciation and amortisation	(1,133,967)		-	
Balance at end of year	4,931,317		-	
Producing assets under construction				
Balance at start of year	293,924		-	
Additions	526,883		-	
Transfers to production facilities, plant and equipment	(293,924)		-	
Balance at end of year	526,883		-	



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 11 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE				
Exploration and evaluation costs carried forward in respect of areas of interest:				
Exploration and/or evaluation phase	2,558,874	13,769,031	-	122,268
Production phase (in prior year part included in Property, Plant and Equipment):				
- at cost	13,441,212	5,912,972	-	-
- accumulated amortisation	(2,183,189)	(391,665)	-	-
	11,258,023	5,521,307	-	-
Total Deferred Exploration and Evaluation Expenditure	13,816,897	19,290,338	-	122,268
The ultimate recoupment of costs carried forward for the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.				
Reconciliation				
Reconciliation of carrying amounts of exploration and evaluation expenditure at the beginning and end of the current financial year:				
Balance at start of year	19,290,338		122,268	
Additions	15,576,795		25,794	
Expenditure written off	(19,137,126)		(26,476)	
Amortisation	(1,791,524)		-	
Sale of prospects	(121,586)		(121,586)	
Balance at end of year	13,816,897		-	



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 12 OTHER NON-CURRENT ASSETS				
Convertible notes issue costs (Note 16)	266,738	-	266,738	-
Amortisation charges (Note 3)	(88,913)	-	(88,913)	-
	177,825	-	177,825	-
NOTE 13 PAYABLES (CURRENT)				
Trade creditors and accruals	4,366,143	4,111,759	720,459	1,012,385
Deferred income (Note 3(c))	199,049	311,158	199,049	311,158
	4,565,192	4,422,917	919,508	1,323,543
NOTE 14 PROVISIONS (CURRENT)				
Restoration costs	500,000	157,000	-	157,000
Employee leave benefits	128,659	138,629	128,659	138,629
	628,659	295,629	128,659	295,629
	During the year an amount of \$500,000 was provided for future restoration costs and the restoration provision of \$157,000 at 30 June 2003 was released.			
NOTE 15 PAYABLES (NON-CURRENT)				
Loans from Controlled Entities	-	-	-	6,659,993
Deferred income (Note 3(c))	123,071	192,388	123,071	192,388
	123,071	192,388	123,071	6,852,381
	The loans from Controlled Entities have no set repayment terms and are non-interest bearing.			
NOTE 16 INTEREST-BEARING LIABILITIES (NON-CURRENT)				
Convertible Notes	9,377,373	-	9,377,373	-

On 31 October 2003 the Company issued 5,000,000 unsecured convertible notes at \$2 each. The convertible notes are a compound financial instrument comprising both an equity component and a debt component. The convertible notes have been classified as equity component \$800,000 (Note 18) and debt component \$9,200,000. At 30 June 2004, the debt component has been increased to \$9,377,373 by the addition of implicit interest charges (Note 3).



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 17 PROVISIONS (NON-CURRENT)

Restoration costs

During the year an amount of \$183,033 was provided for future restoration costs.

NOTE 18 CONTRIBUTED EQUITY

(a) Issued and paid up capital:

159,863,512 (30 June 2003 158,830,063)
ordinary shares fully paid

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Restoration costs	183,033	-	-	-
(a) Issued and paid up capital:				
159,863,512 (30 June 2003 158,830,063) ordinary shares fully paid	60,960,064	59,126,615	60,960,064	59,126,615

(b) Movement in shares on issue:

Beginning of the financial year
Shares issued on exercise of 35c options
Shares issued on exercise of \$1.00 options
Equity component of convertible notes
(Note 16)

End of the financial year

	2004		2003	
	No. of shares	\$	No. of shares	\$
Beginning of the financial year	158,830,063	59,126,615	122,492,929	46,407,466
Shares issued on exercise of 35c options	-	-	36,335,361	12,717,376
Shares issued on exercise of \$1.00 options	1,033,449	1,033,449	1,773	1,773
Equity component of convertible notes (Note 16)	-	800,000	-	-
End of the financial year	159,863,512	60,960,064	158,830,063	59,126,615

(c) Terms and conditions of contributed equity:

Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds of the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 19 RESERVES				
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.				
Movements in the reserve:				
Balance at beginning of year	293,969	454,781	-	-
Loss on translation of overseas controlled entities	-	(160,812)	-	-
Balance at end of year	293,969	293,969	-	-
NOTE 20 ACCUMULATED LOSSES				
Balance at beginning of year	(20,950,566)	(21,237,806)	(21,170,223)	(20,783,025)
Net (loss)/profit attributable to members of Amity Oil Limited	(8,260,560)	287,240	(7,746,934)	(387,198)
Balance at end of year	(29,211,126)	(20,950,566)	(28,917,157)	(21,170,223)



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 21 SHARE OPTIONS

The parent entity has granted certain options that are exercisable in whole or in part on or before the expiry dates shown below. All options were issued at no cost. At balance date the following options remain to be exercised:

Date of Grant	Date of Expiry	Note	50 Cent Options	\$1.00 Options	\$1.22 Options	\$1.33 Options	\$1.35 Options
2004							
3 September 2002	4 September 2004	21(a)	-	38,197,360	-	-	-
26 September 2000	26 September 2005		1,000,000	-	-	-	-
29 November 2001	29 November 2005		-	-	800,000	-	-
11 November 2002	11 November 2006		-	-	400,000	-	-
20 December 2002	20 December 2006	21(c)	-	-	815,000	-	-
24 January 2003	24 January 2007	21(c)	-	-	100,000	-	-
23 April 2003	23 April 2007		-	-	240,000	-	-
1 July 2003	1 July 2007		-	-	-	-	1,500,000
30 July 2003	30 July 2007		-	-	25,000	-	-
28 August 2003	28 August 2007	21(c)	-	-	-	50,000	-
12 December 2003	12 December 2007	21(c)	-	-	390,000	-	-
			1,000,000	38,197,360	2,770,000	50,000	1,500,000

Date of Grant	Date of Expiry	Note	50 Cent Options	\$1.00 Options	\$1.22 Options
2003					
3 September 2002	4 September 2004	21(a)	-	38,230,809	-
26 September 2000	26 September 2005		1,000,000	-	-
29 November 2001	29 November 2005		-	-	800,000
10 January 2001	10 January 2006	21(b)	-	1,000,000	-
11 November 2002	11 November 2006		-	-	1,400,000
20 December 2002	20 December 2006	21(c)	-	-	815,000
24 January 2003	24 January 2007	21(c)	-	-	100,000
23 April 2003	23 April 2007		-	-	240,000
15 May 2003	15 May 2007	21(c)	-	-	250,000
			1,000,000	39,230,809	3,605,000



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 21 SHARE OPTIONS (Cont.)

During the financial year ended 30 June 2004:

- (i) 33,449 \$1.00 options expiring on 4 September 2004 were exercised for a value of \$33,449;
- (ii) 1,000,000 options expiring on 10 January 2006 were exercised for a value of \$1,000,000. See note 21(b);
- (iii) 280,000 options issued under the Employee Option Plan (see note 21(c)) lapsed during the year. 250,000 of these expiring on 15 May 2007 were granted prior to 30 June 2003.
- (iv) 1,000,000 of the \$1.22 options expiring on 11 November 2006 lapsed on 25 August 2003 when Mr. Allchurch resigned as an executive director of the Company.

(a) These options are quoted on ASX.

(b) Amity Option Incentive Plan:

At a general meeting of shareholders held on 15 December 2000 shareholders approved the Amity Option Incentive Plan. The Plan was terminated on 1 October 2002. At 30 June 2003, Mr. Allchurch, then a director of the Company, held 1,000,000 options issued under the Plan. These 1,000,000 options were exercised on 20 November 2003 for a value of \$1,000,000. There are now no options remaining under this plan.

(c) Employee Option Plan:

An employee option plan was approved by shareholders at the Company's Annual General Meeting on 7 November 2002. Under the plan, Amity Oil Limited may, at the discretion of the Board, grant options over the ordinary shares of Amity Oil Limited to employees of the Consolidated Entity. The options, issued for nil consideration, are granted in accordance with performance guidelines established by the directors of Amity Oil Limited. The options are issued for a term of 4 years and vest one third on each of the first, second and third anniversary of the date of grant. The options cannot be transferred and will not be quoted on the ASX. As at 30 June 2004, the Consolidated Entity had 16 employees.

The fair value of each option is estimated on the date of grant using a Black and Scholes option-pricing model with the following weighted average assumptions used for grants made during the year ended 30 June 2004:

Dividend yield	0%
Expected volatility	50.5%
Historical volatility	50.5%
Risk-free interest rate	6.0%
Expected life of the option	4 years

The dividend yield is assumed to remain at zero. The expected life of the options is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The resulting weighted average fair value per option for those granted during the year ended 30 June 2004 under the Employee Option Plan is 28.2 cents.

Currently, these fair values are not recognised as expenses in the financial statements. However, should these grants be expensed they would be amortised over the vesting periods, resulting in an increase in employee benefits expense of \$39,701 for the 2004 financial year. The total amount that would be expensed in the 2004 financial year for all options issued under the plan would be \$92,222. Note that no adjustment to these amounts have been made to reflect estimated or actual forfeitures (i.e. options that do not vest).



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 21 SHARE OPTIONS (Cont.)

		2004		2003	
		Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of year	21(c)(i)	1,165,000	\$1.22	-	-
- granted	21(c)(ii)	470,000	\$1.23	1,190,000	\$1.22
- lapsed		(280,000)	\$1.22	(25,000)	\$1.22
- exercised		-	-	-	-
Balance at end of year	21(c)(iii)	1,355,000	\$1.22	1,165,000	\$1.22
Exercisable at end of year (i.e. vested)		404,999	\$1.22	-	-

(i) Options held at the beginning of the reporting period

The following table summarises information about options held by employees as at the beginning of the reporting period:

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 2004	Number of Options 2003
20 December 2002	20 December 2006	\$1.22	815,000	-
24 January 2003	24 January 2007	\$1.22	100,000	-
15 May 2003	15 May 2007	\$1.22	250,000	-
			1,165,000	-



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 21 SHARE OPTIONS (Cont.)

(ii) Options granted during the reporting period

The following table summarises information about options granted by Amity Oil Limited to employees during the year:

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 2004	Number of Options 2003
12 December 2003	12 December 2007	\$1.22	420,000	-
28 August 2003	28 August 2007	\$1.33	50,000	-
15 May 2003	15 May 2007	\$1.22	-	250,000
24 January 2003	24 January 2007	\$1.22	-	100,000
20 December 2002	20 December 2006	\$1.22	-	840,000
			470,000	1,190,000

(iii) Options held as at the end of the reporting period

The following table summarises information about options held by employees as at the end of the reporting period:

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 2004	Number of Options 2003
12 December 2003	12 December 2007	\$1.22	390,000	-
28 August 2003	28 August 2007	\$1.33	50,000	-
15 May 2003	15 May 2007	\$1.22	-	250,000
24 January 2003	24 January 2007	\$1.22	100,000	100,000
20 December 2002	20 December 2006	\$1.22	815,000	815,000
			1,355,000	1,165,000



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 22 SEGMENT REPORTING

(a) Geographical Segments

During the year the Consolidated Entity operated in three geographical segments, being Turkey, USA and Australia. The majority of the Consolidated Entity's exploration and production currently takes place in Turkey. Some production interests were owned in the USA, but most were disposed of during the previous financial year.

(b) Industry Segment

The Consolidated Entity operates in the Hydrocarbon Exploration and Production Industry Segment only.

Primary Reporting - Geographical Segments	Turkey		USA		Australia		Eliminations		Consolidated Entity	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE										
External Sales	20,621,250	15,052,701	9,210	463,098	-	-	-	-	20,630,460	15,515,799
Other Revenue	347,904	19,078	18,490	663,538	1,432,181	3,744,610	-	-	1,798,575	4,427,226
Other Segments	-	-	-	-	235,840	275,986	(235,840)	(275,986)	-	-
Total segment revenue	20,969,154	15,071,779	27,700	1,126,636	1,668,021	4,020,596	(235,840)	(275,986)	22,429,035	19,943,025
Unallocated revenue									-	-
Total Revenue from ordinary activities									22,429,035	19,943,025
RESULT										
Segment Result	(1,034,463)	8,163,676	(345,661)	735,227	(8,582,942)	(5,128,210)	(235,840)	155,575	(10,198,906)	3,926,268
Unallocated expenses net of unallocated revenue									-	-
Profit/(loss) from ordinary activities before income tax									(10,198,906)	3,926,268
Income tax expense									1,938,346	(3,639,028)
Net Profit									(8,260,560)	287,240
ASSETS										
Segment Assets	25,858,071	26,268,974	2,370,434	2,402,662	43,430,016	45,638,700	(23,228,227)	(27,261,007)	48,430,294	47,049,329
Unallocated Assets									-	-
Total Assets									48,430,294	47,049,329
LIABILITIES										
Segment Liabilities	(22,231,418)	(23,575,811)	(2,449,392)	(231,201)	(11,135,571)	(18,828,430)	19,428,994	34,056,131	(16,387,387)	(8,579,311)
Unallocated Liabilities									-	-
Total Liabilities									(16,387,387)	(8,579,311)
OTHER										
Acquisition of non-current segment assets	13,492,593	3,346,902	514,781	-	4,409,452	2,689,082	-	-	18,416,826	6,035,984
Depreciation and amortisation of segment assets	3,009,703	1,405,590	-	-	135,355	193,827	-	-	3,145,058	1,599,417

Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 23 COMMITMENTS FOR EXPENDITURE AND CONTINGENT LIABILITIES

There are no outstanding commitments or contingent liabilities not provided for in the financial statements of the Consolidated Entity as at 30 June 2004 other than:

Exploration Commitments

- (a) Estimated expenditures at reporting date, committed to but not provided for, including commitments to maintain rights of tenure to its petroleum exploration permits being permit rentals and minimum expenditure obligations:

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Not later than one year	8,763,918	7,967,250	100,000	426,700
Later than one year but not later than 5 years	2,400,000	3,205,152	2,400,000	63,750
Later than five years	100,000	-	100,000	-
Total	11,263,918	11,172,402	2,600,000	490,450

These commitments may vary according to whether:

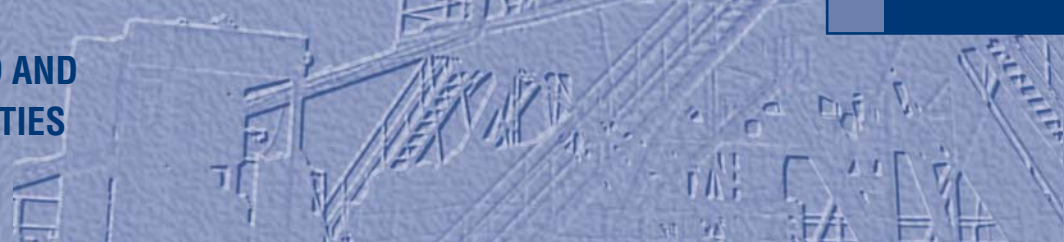
- (i) any of the existing permits are relinquished or converted to other forms of title;
 - (ii) any of the existing permits are farmed out or sold;
 - (iii) any new permits are acquired; and
 - (iv) existing permit expenditure conditions are varied.
- (b) Native Title Claims

Legislative developments and judicial decisions (in particular the uncertainty created in the area of Native Title rights by the High Court's decision in the "Mabo", "Wik" and "Miriuwung-Gajerrong" cases and native title (legislation) may have an adverse impact on the Consolidated Entity's exploration and production activities and its ability to fund those activities. It is impossible at this stage to quantify the impact (if any) which these developments may have on the Consolidated Entity's operations.

The Company is aware of native title claims in respect of areas in which the Consolidated Entity currently has an interest. It is possible that further claims could be made in the future. However, the Company cannot determine whether any current or future claims, if made, will succeed and if so, what the implications would be for the Consolidated Entity.

Operating Lease Commitments

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Minimum lease payments for office space leased under non-cancellable operating leases:				
Not later than one year	144,000	156,266	144,000	156,266
Later than one year but not later than 5 years	126,000	284,547	126,000	284,547
Later than five years	-	-	-	-
Total	270,000	440,813	270,000	440,813



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Specified Directors and Specified Executives

(i) Specified Directors

R.A. Elliott	Chairman (non-executive)
F.D. Campbell	Director (non-executive)
G.J. Rezos	Director (non-executive)
H.M. McLaughlin	Managing Director and Chief Executive Officer
A.P. Barton	Chairman (non-executive) - retired 24 November 2003
P.D. Allchurch	Director (executive) – resigned 25 August 2003

Mr. W.R.B. Hassell was appointed on 3 September 2004 and therefore was not a director during the reporting period.

(ii) Specified Executives

D.J. Rich	Company Secretary and Chief Financial Officer
T.M. Schmedje	Exploration Manager
S.F. Alpay	General Manager – Turkey

(b) Remuneration of Specified Directors and Specified Executives

(i) Remuneration Policy

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions. As an overall objective, the Board seeks to remunerate in such a way that motivates directors and management to pursue the long-term growth and success of the Company within an appropriate control framework and demonstrates a clear relationship between key executive performance and remuneration.

To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. All executives have the opportunity to qualify for participation in the Employee Option Plan. Details regarding the issue of share options under this plan are provided in note 21(c) to the financial statements.

In addition, all executives may be entitled to bonuses payable in relation to corporate profitability measures.

The current employment agreement with the Chief Executive Officer expires on 30 June 2006 and has a notice period of the lesser of 12 months or the period to expiry.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(b) Remuneration of Specified Directors and Specified Executives (Cont.)

		Primary		Non Monetary Benefits	Post Employment		Equity	Total
		Salary & Fees	Cash Bonus		Super- annuation	Other	Options (c)	
Specified Directors								
R.A. Elliott	2004	46,009	-	-	4,141	-	17,942	68,092
	2003	233,157	-	-	4,965	-	25,333	263,455
F.D. Campbell	2004	32,500	-	-	-	-	25,249	57,749
	2003	30,357	-	-	-	-	13,501	43,858
G.J. Rezos	2004	32,500	-	-	-	-	17,942	50,442
	2003	38,893	-	-	-	-	25,333	64,226
H.M. McLaughlin	2004	323,998	-	-	11,002	-	349,050	684,050
A.P. Barton	2004	20,000	-	-	1,800	-	-	21,800
	2003	40,420	-	-	3,638	-	-	44,058
P.D. Allchurch*	2004	55,881	-	-	1,834	337,875	12,274	407,864
	2003	252,195	50,000	22,599	10,519	-	33,753	369,066
Total	2004	510,888	-	-	18,776	337,875	422,457	1,289,997
	2003	595,022	50,000	22,599	9,662	-	97,920	784,663
Specified Executives								
D.J. Rich	2004	202,199	29,419	-	11,002	-	15,861	258,481
	2003	185,333	-	-	10,266	-	3,858	199,457
T.M. Schmedje	2004	171,072	19,420	-	11,002	-	15,037	216,531
S.F. Alpay	2004	167,081	30,000	25,329	-	-	-	222,410
	2003	150,000	50,000	-	7,353	-	-	207,353
Total	2004	540,352	78,839	25,329	22,004	-	30,898	697,422
	2003	335,333	50,000	-	17,619	-	3,858	406,810

* As required under his employment contract, Mr. Allchurch was paid \$282,750 upon his resignation on 25 August 2004. A further \$55,125 of accrued leave was also paid. These amounts are included in benefits and allowances.

Group totals in respect of the financial year ended 2003 do not necessarily equal the sums of amounts disclosed for 2003 for individuals specified in 2004, as different individuals were specified in 2003. Mr. Schmedje was not a specified executive in 2003. Mr. McLaughlin commenced on 1 July 2003.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(c) Valuation of options:

The Company uses the fair value measurement provisions of AASB 1046 "Director and Executive Disclosures for Disclosing Entities" and the pending AASB 2 "Share-based Payment" prospectively for all options granted to directors and relevant executives, which have not vested as at 1 July 2003. The fair value of such grants is being amortised and disclosed as part of director and executive emoluments on a straight-line basis over the vesting period. No adjustments have been or will be made to reverse amounts previously disclosed in relation to options that never vest (i.e. forfeitures).

From 1 July 2003, options granted as part of director and executive emoluments have been valued using a Black and Scholes options pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk-free interest rate, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option. See below for further details.

Fair values of options:

The fair value of each option is estimated on the date of grant using a Black and Scholes option-pricing model with the following weighted average assumption used for grants made during the years ended 30 June 2004 and 2003:

	2004	2003
Dividend yield	0%	0%
Expected volatility	50.5%	57.6%
Historical volatility	50.5%	57.6%
Risk-free interest rate	6.0%	5.57%
Expected life of option	4 years	4 years

The dividend yield is assumed to remain at zero. The expected life of the options is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The resulting weighted average fair values per option for those options vesting after 1 July 2003 are:

Number	Grant Date	Weighted Average Fair Value
800,000	29 November 2001	\$0.19
1,400,000	11 November 2002	\$0.16
525,000	20 December 2002	\$0.08
1,500,000	1 July 2003	\$0.47
200,000	12 December 2003	\$0.25

All the above options are issued for a term of four years and vest one third on each of the first, second and third anniversary of the date of grant.

Currently, these fair values are not recognised as expenses in the financial statements. However, should the above options be expensed, they would be amortised over the vesting periods resulting in an increase in employee benefits expense of \$453,354 for the 2004 financial year (2003: \$111,496). Note that no adjustments to these amounts have been made to reflect estimated or actual forfeitures (i.e., options that do not vest).



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(d) Remuneration options: Granted and vested during the year

During the financial year options were granted as equity compensation benefits to certain specified directors and specified executives as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at a specified exercise price. The options are issued for a term of four years and vest one third on each of the first, second and third anniversary of the date of grant.

Terms and Conditions for Each Grant							
	Vested Number	Granted Number	Grant Date	Value per option at grant date (\$)	Exercise Price per share (\$)	First Exercise Date	Last Exercise Date
Specified Directors							
R.A. Elliott	266,666	-					
F.D. Campbell	133,333	-					
G.J. Rezos	266,666	-					
H.M. McLaughlin	-	1,500,000	1 July 2004	0.47	1.35	1 July 2005	1 July 2007
Specified Executives							
D.J. Rich	91,667	100,000	12 Dec 2003	0.25	1.22	12 Dec 2004	12 Dec 2007
T.M. Schmedje	83,333	100,000	12 Dec 2003	0.25	1.22	12 Dec 2004	12 Dec 2007
Total:	841,665	1,700,000					

No options were granted or vested during the year in relation to Mr. Barton, Mr. Allchurch or Mr. Alpay.

(e) Shares issued on exercise of remuneration options

No remuneration options were exercised during the year apart from the 1,000,000 exercised by Mr. Allchurch following his resignation as a director. See note 21(b).



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(f) Option holdings of specified directors and specified executives

	Balance at 1 July 2003	Granted as Remuneration	Options Exercised	Net change Other	Balance at 30 June 2004	Vested at 30 June 2004		
						Total	Not Exercisable	Exercisable
Specified Directors								
R.A. Elliott	400,000	-	-	-	400,000	266,666	-	266,666
F.D. Campbell	431,250	-	-	-	431,250	164,583	-	164,583
G.J. Rezos	455,000	-	-	-	455,000	321,666	-	321,666
H.M. McLaughlin	-	1,500,000	-	-	1,500,000	-	-	-
Specified Executives								
D.J. Rich	277,700	100,000	-	(2,700)	375,000	91,667	-	91,667
T.M. Schmedje	250,000	100,000	-	-	350,000	83,333	-	83,333
F. Alpay	1,290,375	-	-	-	1,290,375	1,290,375	-	1,290,375
Total	3,104,325	1,700,000	-	(2,700)	4,801,625	2,218,290	-	2,218,290

Specified Directors who ceased to be directors during the period

	Balance at 1 July 2003	Granted as Remuneration	Options Exercised	Net change Other	Balance Upon Ceasing to be a Director
P.D. Allchurch	3,325,859	-	-	(1,000,000)	2,325,859
A.P. Barton	4,142,211	-	-	(4,142,211)	-

Mr. Allchurch exercised 1,000,000 options after he ceased to be a director on 25 August 2003.

Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(g) Shareholdings of Specified Directors and Specified Executives

	Balance 1 July 2003	Granted as Reumuneration	On Exercise of Options	Net Change Other	Balance 30 June 2004
Specified Directors					
R.A. Elliott	304,854	-	-	(48,947)	255,907
F.D. Campbell	125,000	-	-	-	125,000
G.J. Rezos	130,000	-	-	-	130,000
H.M. McLaughlin	-	-	-	41,000	41,000
Specified Executives					
D.J. Rich	20,456	-	-	(13,431)	7,025
T.M. Schmedje	-	-	-	-	-
F. Alpay	1,161,500	-	-	-	1,161,500
Total	1,741,810	-	-	(21,378)	1,720,432

Specified Directors who ceased to be directors during period

	Balance at 1 July 2003	Granted as Remuneration	On Exercise of Options	Net change Other	Balance Upon Ceasing to be a Director
P.D. Allchurch	4,703,424	-	-	-	4,703,424
A.P. Barton	15,879,735	-	-	(2,900,000)	12,979,735

Convertible notes held by specified directors and specified executives

As at 30 June 2004 the following specified directors held convertible notes. No specified executives held convertible notes at any time during the year.

Specified Directors

R.A. Elliott 25,000



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(h) Loans to specified directors and specified executives

There have not been any loans made to specified directors or specified executives. In 2003 a company controlled by Mr. Alpay acquired a drilling rig from the Company for \$3,603,370, payable over a period of up to 42 months. The current balance outstanding is \$2,305,066. The receivable is secured over the assets until paid. Refer to Note 3(c).

(i) Other transactions and balances with specified directors and specified executives

Purchases:

During the year, Amity Oil International Pty Ltd paid for goods and services in Turkey provided by companies controlled by Mr. S.F. Alpay. The pricing for the services was based on market rates for similar services in Turkey. The amounts paid were as follows:

	\$
Personnel, vehicles, premises and communication - gross	1,757,231
Drilling and associated services (5 wells) - gross	5,475,339
Amount borne by joint venture participants	<u>(1,697,596)</u>
Recorded in Amity financial statements	<u>5,534,974</u>

Depending on the specific service provided, these amounts may have been capitalised or expensed in the financial statements. Where Amity Oil International Pty Ltd incurred the cost as operator of a joint venture, some of the gross amount would have been ultimately borne by the other joint venture participants and hence a lesser amount, representing Amity Oil International Pty Ltd's share will have been recorded in the financial statements.

Royalties:

During the year, Amity Oil International Pty Ltd paid \$836,816 in royalties to a company controlled by Mr. S.F. Alpay. This is an overriding royalty based on production from the Gocerler Gasfield. This royalty was negotiated as a condition to Amity's acquisition of its initial acreage in Turkey.

Transfer of permits:

In June 2004, having made the decision not to proceed with exploration on the permits, Amity Oil International Pty Ltd transferred two permits (AR/AOI/3629 and AR/AOI/3630) to a company controlled by Mr. S.F. Alpay. The transfer occurred at nil value and at nil cost to the Company.

Amounts recognised at the reporting date in relation to other transactions:

Assets and liabilities	2004	Expenses	2004
Non-Current assets:		Exploration Expenditures written off	3,677,464
Property, plant and equipment (producing wells)	617,854	General and administrative costs	793,550
		Costs of goods sold	1,282,922
		Total expenditure	<u>5,753,936</u>



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 25 RELATED PARTY DISCLOSURES

ULTIMATE PARENT

Amity Oil Limited is the ultimate parent company.

WHOLLY OWNED GROUP TRANSACTIONS

The wholly-owned group consists of Amity Oil Limited and its wholly-owned controlled entities, Great Southern Oil NL, Latrobe Oil & Gas Pty Ltd., Bonaparte Gulf Oil & Gas Pty Ltd., Bonaparte Gulf Petroleum NL, Roebuck Resources, Inc, Southern Amity, Inc., Southern Amity Limited, Amity Oil International Pty Ltd, International Oil and Gas Services B.V., Santa Energy Pty Ltd and Antares Energy Company. Ownership interests in these controlled entities are set out in Note 9.

Transactions between Amity Oil Limited and other entities in the wholly-owned group during the years ended 30 June 2004 and 2003 consisted of:

- (a) loans advanced by Amity Oil Limited;
- (b) loans repaid to Amity Oil Limited;
- (c) Roebuck Resources, Inc repaid its Preferred Stock class of capital to Amity Oil Limited;
- (d) incorporation of two new subsidiaries (Note 9)
- (e) debt forgiveness within the wholly-owned group;
- (f) the charging of a service fee by Amity Oil Limited to Roebuck Resources, Inc., and
- (g) the charging of time by Amity Oil Limited employees to the wholly-owned controlled entities.

Aggregate amounts included in the determination of operating result before income tax that resulted from transactions with entities in the wholly-owned group:

Service fee

Recovery of costs

Aggregate amounts receivable from/(payable to) entities in the wholly-owned group at balance date:

- receivable from

- provision for non-recovery

- payable to

	Parent	
	2004	2003
	\$	\$
	-	60,000
	4,222,981	1,852,687
	27,310,372	22,293,682
	(4,714,385)	(198,400)
	22,595,987	22,095,282
	-	(6,659,993)



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
NOTE 26 (a) RECONCILIATION OF NET CASH INFLOWS FROM OPERATING ACTIVITIES TO PROFIT/LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX				
(Loss)/Profit from ordinary activities after income tax	(8,260,560)	287,240	(7,746,934)	(387,198)
Non-cash Items:				
Intercompany debt forgiveness	-	-	(4,977,642)	-
Dividend received	-	-	(1,184,864)	-
Depreciation and amortisation	3,145,058	1,599,417	135,355	193,827
Exploration expenditure written off	19,137,126	4,317,761	26,476	2,440,828
Borrowing costs	266,286	-	266,286	-
Gain on disposal of drilling rig	-	(408,109)	-	(408,109)
Provision for non-recovery of loans to controlled entities	-	-	4,515,985	(3,329,285)
Provision for diminution of investments in controlled entities	-	-	10,405,239	-
Foreign exchange movement	88,159	(293,869)	(405,040)	1,198
Change in operating assets and liabilities:				
Decrease (increase) in receivables	(664,764)	(2,959,411)	(320,136)	172,615
Decrease (increase) in inventory	(603,292)	518,196	-	481,781
Increase (decrease) in creditors and payables	118,078	2,493,037	(827,670)	733,727
Increase (decrease) in provisions	(287,136)	211,910	(166,970)	211,910
Increase (decrease) in tax provision	(190,366)	232,668	-	-
Increase (decrease) in deferred income tax liability	(1,967,952)	3,437,927	-	-
Net cash inflows/(outflows) from operating activities	10,780,637	9,436,767	(279,915)	111,294

(b) NON-CASH OPERATING ACTIVITIES

Dividend Received

During the year the Company received a dividend of \$1,693,435 from a controlled entity, of which \$504,571 was received in cash and \$1,184,864 by way of settlement of an intercompany account.

(c) NON-CASH FINANCING AND INVESTING ACTIVITIES

Rig Sale

During the financial year ended 30 June 2003 the Company sold its drilling rig for \$3,603,370. Refer Note 3. As the consideration will be received over a deferred period, the \$3,603,370 was discounted to net present value of \$3,099,824. In the year ended 30 June 2004, \$1,316,539 cash was received.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 27 JOINT VENTURES

The Consolidated Entity has interests in various unincorporated joint ventures as follows:

CURRENT ASSETS

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Cash	189,802	516,165	-	33,238
Receivables	-	2,418,736	-	278,561
Inventories	473,623	1,076,915	-	-
Total current assets	663,425	4,011,816	-	311,799

NON-CURRENT ASSETS

Property, plant and equipment	5,458,200	3,821,235	-	-
Deferred exploration and evaluation expenditure	13,816,897	18,181,623	-	122,268
Total non-current assets	19,275,097	22,002,858	-	122,268

TOTAL ASSETS

	19,938,522	26,014,674	-	434,067
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CURRENT LIABILITIES

Accounts payable	434,985	2,915,274	-	12,866
Provision for restoration costs	500,000	-	-	-
Total current liabilities	934,985	2,915,274	-	12,866

TOTAL LIABILITIES

	934,985	2,915,274	-	12,866
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NET ASSETS

	19,003,537	23,099,400	-	421,201
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REVENUES

	20,630,460	15,515,799	-	-
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EXPENSES

	(22,442,694)	(9,905,387)	(26,476)	(2,440,828)
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OPERATING (LOSS)/PROFIT BEFORE INCOME TAX

	(1,812,234)	5,610,412	(26,476)	(2,440,828)
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Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 27 JOINT VENTURES (Cont.)

- (i) There are no outstanding commitments or contingent liabilities specific to the joint ventures not provided for in the financial statements of the Consolidated Entity as at 30 June 2004 other than:

Estimated expenditures at reporting date, committed to but not provided for, including commitments to maintain rights of tenure to its petroleum exploration permits being permit rentals and minimum expenditure obligations:

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Not later than one year	3,453,438	7,967,250	-	426,700
Later than one year but not later than 5 years	-	3,205,152	-	63,750
Later than 5 years	-	-	-	-
	3,453,438	11,172,402	-	490,450

These commitments may vary according to whether:

- any of the existing permits are relinquished or converted to other forms of title;
 - any of the existing permits are farmed out or sold;
 - any new permits are acquired; and
 - existing permit expenditure conditions are varied.
- (ii) Details of the name and percentage interest of the joint venture operations are set out in the Oil and Gas Interests section of the Annual Report.

NOTE 28 EARNINGS PER SHARE

Basic earnings/(loss) per share

Diluted earnings/(loss) per share

The following reflects the income and share data used in the calculations of basic earnings per share:

Net profit/(loss) from ordinary activities

Adjustments

Earnings used in calculation of earnings per share

	Consolidated	
	2004	2003
	\$	\$
Basic earnings/(loss) per share	(0.052)	0.002
Diluted earnings/(loss) per share	(0.052)	0.002
Net profit/(loss) from ordinary activities	(8,260,560)	287,240
Adjustments	-	-
Earnings used in calculation of earnings per share	(8,260,560)	287,240

Weighted average number of ordinary shares on issue during the year in calculation of basic earnings per share

Share options

Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share

	Number	Number
	Weighted average number of ordinary shares on issue during the year in calculation of basic earnings per share	159,464,922
Share options	456,685	4,088,009
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	159,921,607	156,919,048



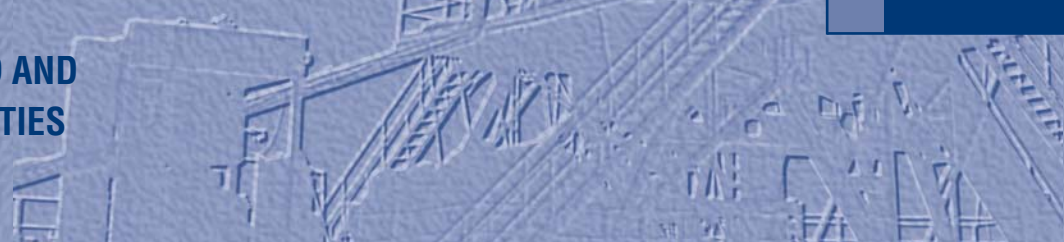
Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

Note 29 FINANCIAL INSTRUMENT DISCLOSURES

- (a) The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and liabilities, are as follows:

	WEIGHTED AVERAGE	FLOATING	FIXED INTEREST RATE MATURING IN:			NON INTEREST	TOTAL
	EFFECTIVE INTEREST	INTEREST	1 YEAR	OVER 1 TO	MORE THAN	BEARING	
	RATE	RATE	OR LESS	5 YEARS	5 YEARS		
	%	\$	\$	\$	\$	\$	\$
2004							
FINANCIAL ASSETS							
Cash and deposits	5.2	14,127,085	-	-	-	5,565,310	19,692,395
Trade debtors and receivables		-	-	-	-	8,371,441	8,371,441
		14,127,085	-	-	-	13,936,751	28,063,836
FINANCIAL LIABILITIES							
Payables		-	-	-	-	4,565,192	4,565,192
Convertible Notes	10	-	-	9,377,373	-	-	9,377,373
		-	-	9,377,373	-	4,565,192	13,942,565
Net Financial Assets		14,127,085	-	(9,377,373)	-	9,371,559	14,121,271
2003							
FINANCIAL ASSETS							
Cash and deposits	4.6	10,033,700	-	-	-	3,870,558	13,904,258
Trade debtors and receivables		-	-	-	-	8,485,667	8,485,667
		10,033,700	-	-	-	12,356,225	22,389,925
FINANCIAL LIABILITIES							
Trade creditors and accruals		-	-	-	-	4,422,917	4,422,917
		-	-	-	-	4,422,917	4,422,917
Net Financial Assets		10,033,700	-	-	-	7,933,308	17,967,008



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

Note 29 FINANCIAL INSTRUMENT DISCLOSURES (Cont.)

(b) Credit Risk

The Consolidated Entity's maximum exposure to credit risk, excluding the value of any collateral or other security, in relation to each class of recognised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statements of Financial Position and notes to the financial statements.

The Consolidated Entity does not have any material credit risk to any single debtor group or group of debtors under financial arrangements entered into by the Consolidated Entity.

(c) Net Fair Value

The net fair values of all monetary financial assets and liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the Statements of Financial Position and in the notes to and forming part of the financial statements.

Note 30 SUBSEQUENT EVENTS

No matter or circumstance has arisen since 30 June 2004 that has significantly affected or may significantly affect the operation, results or state of affairs of the Consolidated Entity in the following or future years other than:

Whicher Range

Amity conducted a fracture stimulation programme on the Whicher Range Gas Field from July to September 2004. Although the final testing phase of the operation is still underway, the programme has not generated any commercial gas flows to date and indications are it is unlikely to do so. Hence the directors have decided that the requirements for carrying forward the asset under Accounting Standard AASB 1010 cannot be met. As a result of this decision, deferred exploration and evaluation expenditure of \$8,842,088, being the carrying value of Whicher Range at 30 June 2004, has been expensed in the financial statements to 30 June 2004. Subsequent to 30 June 2004, approximately \$3,400,000 has been incurred in the fracture stimulation programme and these costs are expected to be written off in the financial year to 30 June 2005.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 31 EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

Employee Benefits

The aggregate employee benefit liability is comprised of:

Accrued wages, salaries and on costs
Provisions (current - Note 14)

	Consolidated		Parent	
	2004	2003	2004	2003
	\$	\$	\$	\$
Accrued wages, salaries and on costs	61,613	50,847	61,613	50,847
Provisions (current - Note 14)	128,659	138,629	128,659	138,629
	190,272	189,476	190,272	189,476

Employee Option Plan

Refer Note 21(c)

Superannuation Commitments

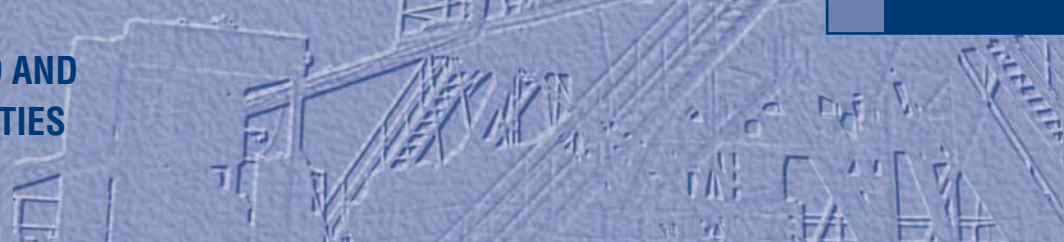
All employees are based in Australia. The employer contributes in accordance with the Government Superannuation Guarantee legislation.

NOTE 32 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

The Company has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to IFRS. As a result of these procedures, the Company has graded impact areas as either high, medium or low and has allocated resources to address each of the areas in order of priority as represented by the gradings. As the Company has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Company. At this stage the Company has not been able to reliably quantify the impacts on the financial report.

Functional and Presentation Currency

The Company has determined that the functional currency of its Australian operations for IFRS purposes will be Australian dollars. The majority of the Company's foreign operations will have the U.S. dollar as their functional currency as a reflection of their operating conditions. The presentation currency of the group will continue to be Australian dollars. The impact on the Company will be that the foreign operations will be converted into Australian dollars at the closing rate and any exchange movements will be recorded through a foreign currency translation reserve. The company has not yet determined the impact on profit and loss and net assets. Future impacts on net assets are dependent upon movements in the Australian to US dollar exchange rate.



Notes to the Financial Statements

Amity Oil Limited and its Controlled Entities for the year ended 30 June 2004

NOTE 32 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (Cont.)

Exploration and Evaluation

It is expected that the Company's existing policy of accounting for exploration and evaluation activity as set out in Note 1(k) to the financial statements will comply with IFRS requirements and therefore no difference is expected to result either from the treatment of costs or from impairment testing. Uncertainty remains in relation to accounting for extractive activities within the IFRS regime as no specific standard has yet been finalised. The Company's expectation is founded on the implementation of the stated "grandfathering" approach embodied in ED6 Exploration for and Evaluation of Mineral Resources and as discussed by the IASB in July 2004.

Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Restoration Provisions

Under IFRS a provision is recorded where there is a legal or constructive obligation. The group currently provides for restoration as the phases of exploration, evaluation, development, construction or production give rise to the need for restoration to occur. This effectively results in a build-up of the restoration provision.

Under IFRS full provision, based on discounted future cash flows, is required to be recognised at the date of transition to IFRS. A corresponding asset, net of depreciation, to the date of transition may qualify for recognition as part of development costs and be amortised together with development assets. The unwinding of the provision is to be recognised as an interest expense and not as a movement in the provision expense. This will have the effect of increasing interest expense.

Grossing up of the rehabilitation provision may have a significant impact on the balance sheet.

Embedded Derivatives

AASB 139 introduces the concept of embedded derivatives and requires the identification recognition and measurement of derivatives embedded within contracts a company may enter. Embedded derivatives are required to be fair valued and movements reported in the Statement of Financial Performance. The Company is currently reviewing contracts to determine the extent of any embedded derivatives.

Share Based Payments

Under AASB 2 Share Based Payments, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.



DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Amity Oil Limited, I state that:

(1) In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and 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.

On behalf of the Board

R.A. ELLIOTT

Chairman

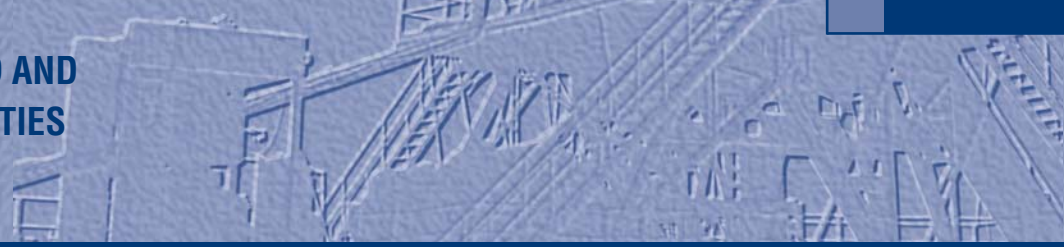
West Perth, Western Australia

Perth, 29 September, 2004



AMITY OIL LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835



Central Park
152 St Georges Terrace
Perth WA 6000
Australia

Tel 61 8 9429 2222
Fax 61 8 9429 2436

GPO Box M939
Perth WA 6843

Independent audit report to members of Amity Oil Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Amity Oil Limited (the company) and the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of Amity Oil Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Amity Oil Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young.
Ernst & Young

P. Fry.
Paul Fry
Partner
Perth

Date: 29 September 2004

PF;HG;AMITY;031

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Amity Oil Limited (the "Company") is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange Corporate Governance Council's (the Council) "Principles of Good Corporate Governance and Best Practice Recommendations". In accordance with the Council's recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. The Company's Corporate Governance Statement is now structured with reference to the Council's principles and recommendations which are as follows:

- Principle 1. Lay solid foundations for management and oversight;
- Principle 2. Structure the Board to add value;
- Principle 3. Promote ethical and responsible decision making;
- Principle 4. Safeguard integrity in financial reporting;
- Principle 5. Make timely and balanced disclosure;
- Principle 6. Respect the rights of shareholders;
- Principle 7. Recognise and manage risk;
- Principle 8. Encourage enhanced performance;
- Principle 9. Remunerate fairly and responsibly;
- Principle 10. Recognise the legitimate interests of shareholders.

The Company's corporate governance practices were in place throughout the year ended 30 June 2004 and were fully compliant with the Council's best practice recommendations except where stated below.

For copies of the Corporate Governance Policy or the sub-committee charters, refer to our website: www.amityoil.com.au (Investor Relations/Corporate Governance).



CORPORATE GOVERNANCE STATEMENT (Cont.)

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in section 1 of the Directors' Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company. The appropriate base amount depends on the nature of the item being considered. For example, if a director's interest in a supplier is being considered, there would be two appropriate base amounts, the first being the Company's total purchases from suppliers and the second being the total sales to all customers by the supplier.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of the Company are considered to be independent:

Name	Position
R.A. Elliott	Chairman, Non-Executive Director
F.D. Campbell	Non-Executive Director
W.R.B. Hassell	Non-Executive Director
G.J. Rezos	Non-Executive Director

Upon the request of the Board, Mr. Elliott provided executive services to the Company from July 2002 through November 2002 when the Company was without a Chief Executive. Mr. Elliott was non-executive Chairman prior to and following this period. The Board believes that, given the short length of time he was engaged as an executive and given his non-executive role before and after the period, Mr. Elliott's ability to exercise independent judgement has not been compromised and hence he is considered independent.

Recommendation 2.1 recommends that the majority of the Board be independent directors. For the period from 29 July 2003 to 25 August 2003 the Board comprised three independent directors and three non-independent directors as the newly appointed Chief Executive Officer, Mr. McLaughlin, was appointed to the Board on 29 July 2003. The Board was in the process of recruiting a new independent director when Mr. Allchurch, an executive director, resigned on 25 August 2003. From that date, a majority of the Board was, once again, independent.

Recommendation 2.2 recommends that the Chairperson be an independent director. From 1 July 2003 until his retirement on 24 November 2003, Mr. Barton was the Chairman of the Board. During this period, Mr. Barton was a substantial shareholder in the Company and was, therefore, not independent under the definition in the Council's recommendations. While the Board recognised that this was not in compliance with the recommendations, it considered Mr. Barton suitable to continue as Chairman in the circumstances at the time. Of particular relevance were Mr. Barton's skills and experience in investor relations and capital markets. Mr. Barton retired as a director on 24 November 2003 and Mr. Elliott, an independent director, was appointed Chairman.



CORPORATE GOVERNANCE STATEMENT (Cont.)

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director at the date of this report is as follows:

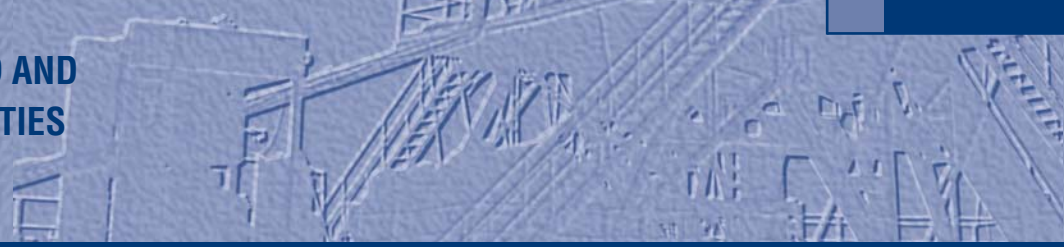
Name	Term in Office
R.A. Elliott	3.2 years
F.D. Campbell	2.4 years
W.R.B. Hassell	1 month
G.J. Rezos	2.8 years
H.M. McLaughlin	14 months

The Company's Corporate Governance Policy states that the Board should have at least five directors. From 24 November 2003 to 3 September 2004, there were only four directors. Mr Rezos has announced that he will retire from the board at the Annual General Meeting and will not seek re-election. The Board has not yet recruited any further directors due to the changing nature of the business, in particular the Company's strategy of conducting exploration activities in the United States of America, and the operations at Whicher Range. Once the outcome of Whicher Range and the initial US exploration activities is clear, the skills and experience required of a new director can be finalised and candidates sought.

The Board has established a Nomination Committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including where necessary, selecting candidates for the position of director. The Nomination Committee comprises a majority of independent directors. The Nomination Committee comprised the following members throughout the year:

- R.A. Elliott
- F.D. Campbell
- G.J. Rezos
- H.M. McLaughlin (appointed 29 July 2003)
- A.P. Barton (retired 24 November 2003)
- P.D. Allchurch (resigned 25 August 2003).

Given the small number of directors, currently all directors are members of the Nomination Committee. It is the Board's intention to appoint additional directors in the future and it is anticipated that in the future not all directors will be members of the Nomination Committee. For details of directors' attendance at meetings of the Nomination Committee, refer to section 1 of the Directors' Report.



CORPORATE GOVERNANCE STATEMENT (Cont.)

Audit and Compliance Committee

The Board has established an Audit and Compliance Committee which operates under a terms of reference (charter) approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control (including the maintenance of a risk register) for the management of the consolidated entity to the Audit and Compliance Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Compliance Committee are non-executive directors.

The members of the Audit and Compliance Committee during the year were:

G.J. Rezos

F.D. Campbell

R.A. Elliott.

For details regarding the qualifications of the members, refer to section 1 of the Directors' Report.

For details on the number of meetings of the Audit and Compliance Committee held during the year and the attendees at those meetings refer to section 1 of the Director's Report .

Ethical and Responsible Decision Making

The Board of the Company actively promotes ethical and responsible decision-making. The standard of ethical behaviour required by directors and officers (including the Managing Director and Chief Executive Officer and Chief Financial Officer), is set out in a code of conduct which forms part of the Company's Corporate Governance Policy. The fact that this code of conduct is not extended to the two key executives (specified executives as per Note 24 to the financial statements) who are not officers means that the Company has not fully complied with Recommendation 3.1. Given the small size of the Company, the directors are of the opinion that the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices were, nevertheless, in place during the year. The Board adopted a Code of Conduct on 29 September 2004 and this is published on the Company's website.

External Auditor

As per the Audit and Compliance Committee Terms of Reference, the Audit and Compliance Committee conducted a review of the external auditor during the year. The Committee reviewed independence, performance in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged. Under Recommendation 4.5, the Company is supposed to make information publicly available regarding procedures for selection and appointment of the external auditor, and for the rotation of external audit engagement partners. The Company did not have this information available publicly during the year, however the Company can confirm that in 2002 it applied a suitable process (involving assessments of independence (current and ongoing), industry experience and the ability to service the Company in the areas in which it operates when selecting and appointing the current auditors). The Company's auditors have an ongoing policy of audit engagement partner rotation every five years. The Company adopted a policy for the appointment of an external auditor on 29 September 2004 and this is published on the Company's website.



CORPORATE GOVERNANCE STATEMENT (Cont.)

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Nomination Committee conducted a performance evaluation which involved a review of the Board's performance by an independent third party. This review considered input from management and stakeholders.

Risk Management

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board's Risk Management Policy is incorporated into the Company's Corporate Governance Policy. The Board oversees the risk management of the Company through the Audit and Compliance Committee.

The Board, through the Audit and Compliance Committee, maintains a risk register ranking all the identified risks of the business and how the significant risks are being managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of both financial and non-financial KPIs.
- Regular reviews of the risk register by the Audit and Compliance Committee and subsequent reporting to the Board.

Recommendation 7.1 recommends companies have an internal audit function. The Company does not have an internal audit function as the Board considers the Company is not yet large enough to justify the cost of doing so. Recommendation 7.3 recommends the Company make a description of its internal compliance and control system publicly available. At this stage the Company has not made such a description publicly available as it has not yet finalised the document

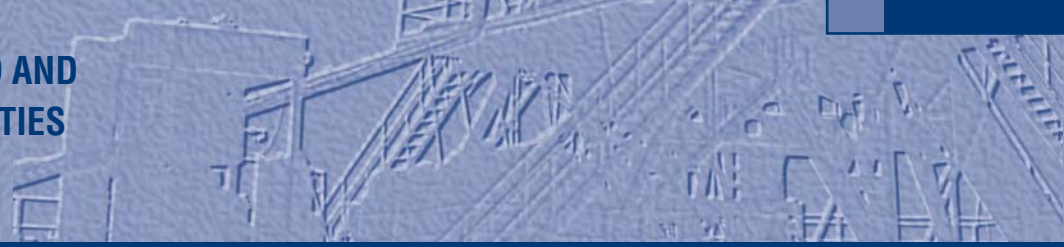
Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of quality management to the Company; and,
- performance incentives which allow executives to share the rewards of the success of the Company.

For details on the amount of remuneration and all monetary and non-monetary components for each of the five highest-paid (non-director) executives during the year and for all directors, refer to section 10 of the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.



CORPORATE GOVERNANCE STATEMENT (Cont.)

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established a Remuneration Committee, comprising three non-executive directors. Members of the Remuneration Committee throughout the year were:

F.D. Campbell

R.A. Elliott

G.J. Rezos. (commenced on 15 December 2003)

A.P. Barton (retired 24 November 2003).

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to section 1 of the Directors' Report.

Recognise the Legitimate Interests of Stakeholders

The Board recognises the Company has a number of legal and other obligations to non-shareholder stakeholders such as employees, clients/customers and the community as a whole and is therefore committed to appropriate corporate practices.

Given the small size of the Company and the integrity of the executives, the directors are of the opinion that the culture and practices necessary to manage risk, legal compliance and enhancement of corporate reputation were in place during the year. However, as there was no written code of conduct in place (apart from the directors' and officers' code of conduct mentioned above), the Company has not complied with Recommendation 10.1. The Board adopted a company-wide code of conduct on September 2004 and this is published on the Company's website.



SHAREHOLDER INFORMATION

AS AT 13 OCTOBER, 2004

Ordinary Shares

(a) Twenty Largest Shareholders

	Number of Shares	% of issued shares
1. National Nominees Limited	15,522,318	9.71%
2. Citicorp Nominees Pty Limited <CFS W/Sale Gbl Res Fund A/C>	10,409,793	6.51%
3. Yandal Investments Pty Ltd	10,000,000	6.25%
4. Citicorp Nominees Pty Limited	5,511,928	3.45%
5. ANZ Nominees Limited	5,237,248	3.28%
6. Henley Park Estate Pty Ltd	4,241,317	2.65%
7. Merrill Lynch (Australia) Nominees Pty Ltd	3,481,235	2.18%
8. Westpac Custodian Nominees Limited	3,402,260	2.13%
9. James Andrew Cruickshank	3,400,000	2.13%
10. Link Traders (Aust) Pty Ltd	3,007,894	1.88%
11. J.P. Morgan Nominees Australia Limited	2,340,288	1.46%
12. Athabasca Pty Ltd	2,100,000	1.31%
13. Crytha Corporation NV	2,000,000	1.25%
14. Johjam Pty Ltd	1,500,000	.94%
15. Eikofin B.V. B.A.	1,340,000	.84%
16. Rodney Alexander Shea	1,285,000	.80%
17. L. & E. Fisher Nominees Pty Ltd	1,284,855	.80%
18. Newport Securities Pty Ltd	1,115,000	.70%
19. Link Traders (Aust) Pty Limited	1,100,000	.69%
20. Universal Oil (Australia) Pty Ltd	1,000,000	.63%
Total	79,279,136	49.59%

(b) Distribution of Shareholdings

	Number of Shareholders	Number of Shares Held
1 - 1,000	950	460,175
1,001 - 5,000	1,762	5,374,796
5,001 - 10,000	1,043	8,460,681
10,001 - 100,000	1,188	34,128,432
100,001 - and over	145	111,454,502
Total	5,088	159,878,586

(c) Substantial Shareholders

	Number of Shares	% of Issued Shares
Commonwealth Bank of Australia	13,476,139	8.43%
Yandal Investments Pty Ltd	10,000,000	6.25%

(d) Unmarketable Parcels

There were 638 members holding less than a marketable parcel of shares in the Company.

(e) Voting Rights

Voting rights of members are governed by the Company's Constitution. In summary, on a show of hands, every member present in person or by proxy shall have one vote and in the event of a poll every such member shall be entitled to one vote for each ordinary fully paid share held.

(f) Exchanges

Amity Oil Limited is listed on the Australian Stock Exchange. Ordinary shares are listed under the AYO code. The Company's shares also trade in the Regulated Unofficial Market on the Frankfurt and Berlin Stock Exchanges. The symbol is A07.



SHAREHOLDER INFORMATION AS AT 13 OCTOBER, 2004

Convertible Notes

(a) Twenty Largest Convertible Note Holders	Number of Convertible Notes	% of issued Convertible Notes
1. Yandal Investments Pty Ltd	500,000	10.00%
2. Invia Custodian Pty Limited	300,000	6.00%
3. Invia Custodian Pty Ltd	200,000	4.00%
4. BLM Superannuation Nominees Pty Ltd	175,000	3.50%
5. Erich Fraunschiel	150,000	3.00%
6. Jason Yardi	136,000	2.72%
7. Robert Archer Black & Dr Ann Carolyn Black	125,000	2.50%
8. Kaysu Holdings No. 2 Pty Ltd	115,000	2.30%
9. Naisos Holdings Pty Ltd	105,000	2.10%
10. L. & E. Fisher nominees Pty Ltd	100,000	2.00%
11. National Nominees Limited	100,000	2.00%
12. Gimbala Pty Ltd	100,000	2.00%
13. Gordon Llewellyn Salom & Cameron Charles Batterham	100,000	2.00%
14. ANZ Nominees Limited	97,500	1.95%
15. Dorran Pty Ltd	84,900	1.70%
16. RBC Global Services Australia Nominees Pty Limited	77,350	1.55%
17. D.F.M. Securities Pty Ltd	75,000	1.50%
18. Richard Jeremy Timms	75,000	1.50%
19. Graeme Bruce Howie	75,000	1.50%
20. Camellia Enterprises Pty Ltd	68,201	1.36%
Total	2,758,951	55.18%

(b) Distribution of Convertible Note Holdings	Number of Convertible Note Holders	Number of Convertible Notes Held
1 - 1,000	5	3,790
1,001 - 5,000	169	569,815
5,001 - 10,000	38	325,744
10,001 - 100,000	65	2,294,651
100,001 - and over	9	1,806,000
Total	286	5,000,000

(c) Voting Rights

Except as required by the Corporations Act, the Notes do not carry any right, and the Noteholders, in that capacity, do not have any right to vote at any general meeting of the Company.

(d) Exchanges

Amity Oil Limited Convertible Notes are listed on the Australian Stock Exchange under the code AYOQ.



OIL AND GAS INTERESTS – 7 October, 2004

	Interest or Right to Acquire	
	%	
WESTERN AUSTRALIA		
Exploration Permit 381	67.412	
Exploration Permit 408	47.957	
Exploration Permit 425	100.000	
VICTORIA		
Exploration Permit PEP 138 (Royalty Interest)	5.000	
TURKEY		
Petroleum Exploration Licence AR/AON/I/3589	50.000	
Petroleum Exploration Licence AR/AON/I/3599	100.000	
Petroleum Exploration Licence AR/AOI/I/3648	50.000	
Petroleum Exploration Licence AR/TPO/I/3791	50.000	
Petroleum Exploration Licence AR/TPO/I/3792	50.000	
Petroleum Exploration Licence AR/AOI/I/3798	100.000	
Petroleum Exploration Licence AR/AOI/I/3799	100.000	
Petroleum Exploration Licence AR/AOI/I/3800	100.000	
USA		
	Percentage of Acreage Held	
	Working Interest	
Exploration Interests		
Oklahoma		
Ellis County #1	100%	99.50%
Ellis County #2	94%	100.00%
Land Under Lease		
Oklahoma		
Ellis County #3	84%	
Ellis County #4	49%	
Ellis County #5	50%	
Ellis County #6	76%	
Beaver County, Yukon-1	45%	



AMITY OIL LIMITED



Ellis-1, Oklahoma