

ASX-RNS Announcement

23 December 2019

ASX: OEX
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East Irish Sea Licence Acquisition

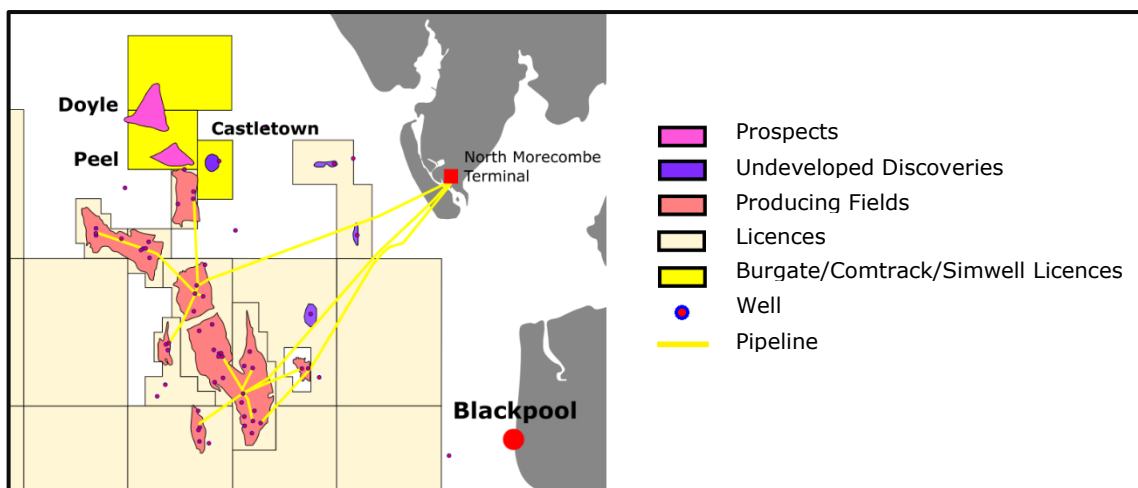
The Board of Oilex Limited (the "Company") is very pleased to announce that it has entered into a binding term sheet with Burgate Exploration and Production Ltd ("Burgate"), to acquire a 100% participating interest in the Doyle-Peel licence (P2447) in the East Irish Sea (EIS), offshore the United Kingdom ("Term Sheet"). In addition, the Company has entered into an exclusivity agreement with Burgate, Comtrack (UK) Ltd, and Simwell Resources Ltd (collectively "BCS") for the potential acquisition of a 100% participating interest in the Castletown licence (P2076).

The EIS licences provide an attractive entry into a proven gas fairway in the centre of the East Irish Sea Basin. Furthermore, the licences are in shallow water near existing infrastructure reducing the complexity, risk and cost of development. The EIS is a prolific basin which has produced around 8 TCF of gas to date with considerable existing gas production, gathering, processing and transportation infrastructure. The depth to the target reservoirs is less than 2,000 metres thus providing modest drilling costs.

Project Overview

The licenses lie on the west dipping graben edge of the Tynwald Fault Zone on the structural trend with the Rhyl and North Morecambe producing gas fields. Historical production from the primary Triassic Ormskirk reservoirs on this trend show excellent deliverability characteristics.

The Ormskirk sandstones were deposited in a continental fluvial regime which became drier and more aeolian (with a higher proportion of dune sands) towards the top. The regional seal is provided by the evaporites and mudstones of the Mercia Mudstone group which attains a thickness in excess of 1,000m across the basin resulting in low seal risk. Gas charge comes from the Carboniferous Coal Measures which underlie much of the basin. A secondary reservoir-seal pair is provided by the Permian Collyhurst sandstone and overlying evaporites.



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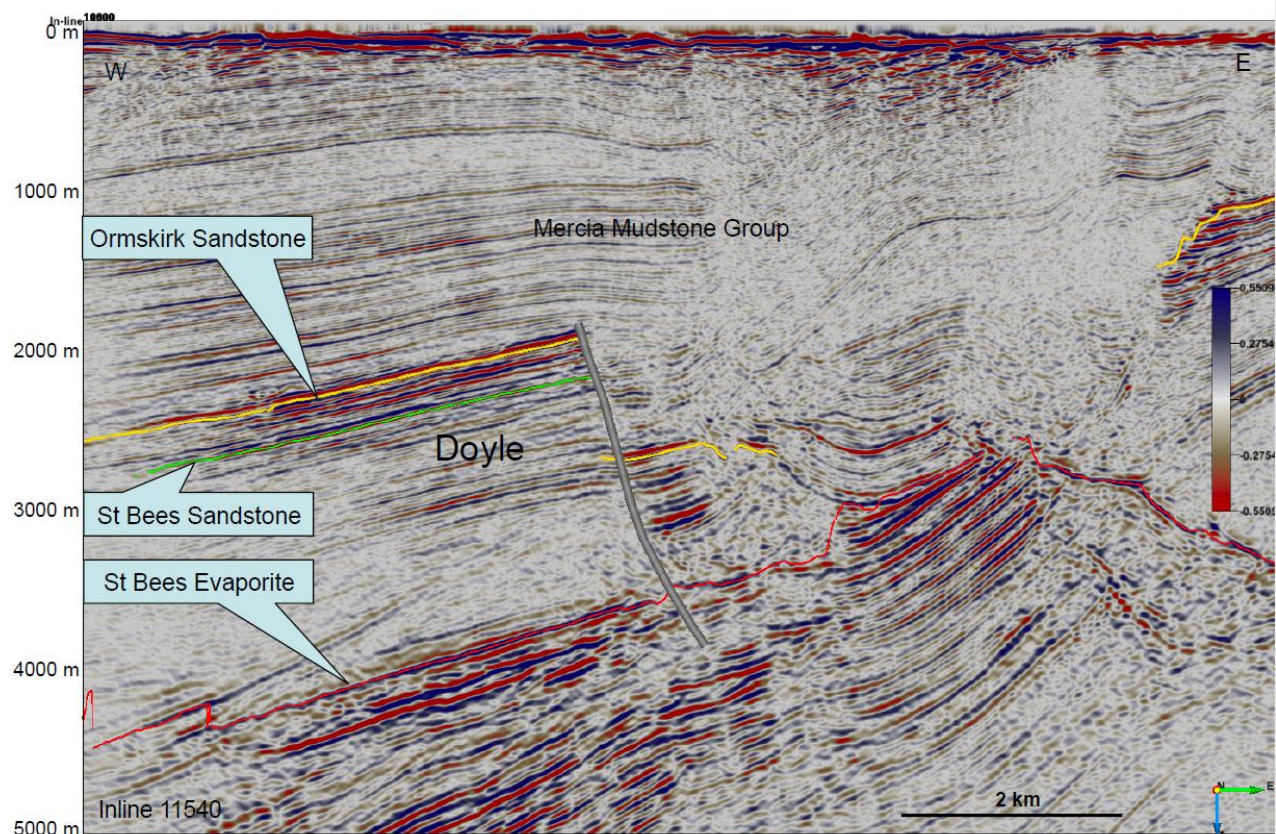
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Doyle-Peel Prospects

The Doyle prospect consists of a tilted fault block closed on the up dip east side by the north-south trending boundary fault of the Tynwald Fault Zone. This fault down throws to the east and the footwall of Ormskirk sandstone juxtaposes Mercia Mudstone salts and shales forming a very effective cross fault seal. There is a clearly defined east-west fault bounding the southern extent. The fault block is distinguished by the strong reflection response shown on the amplitude display.



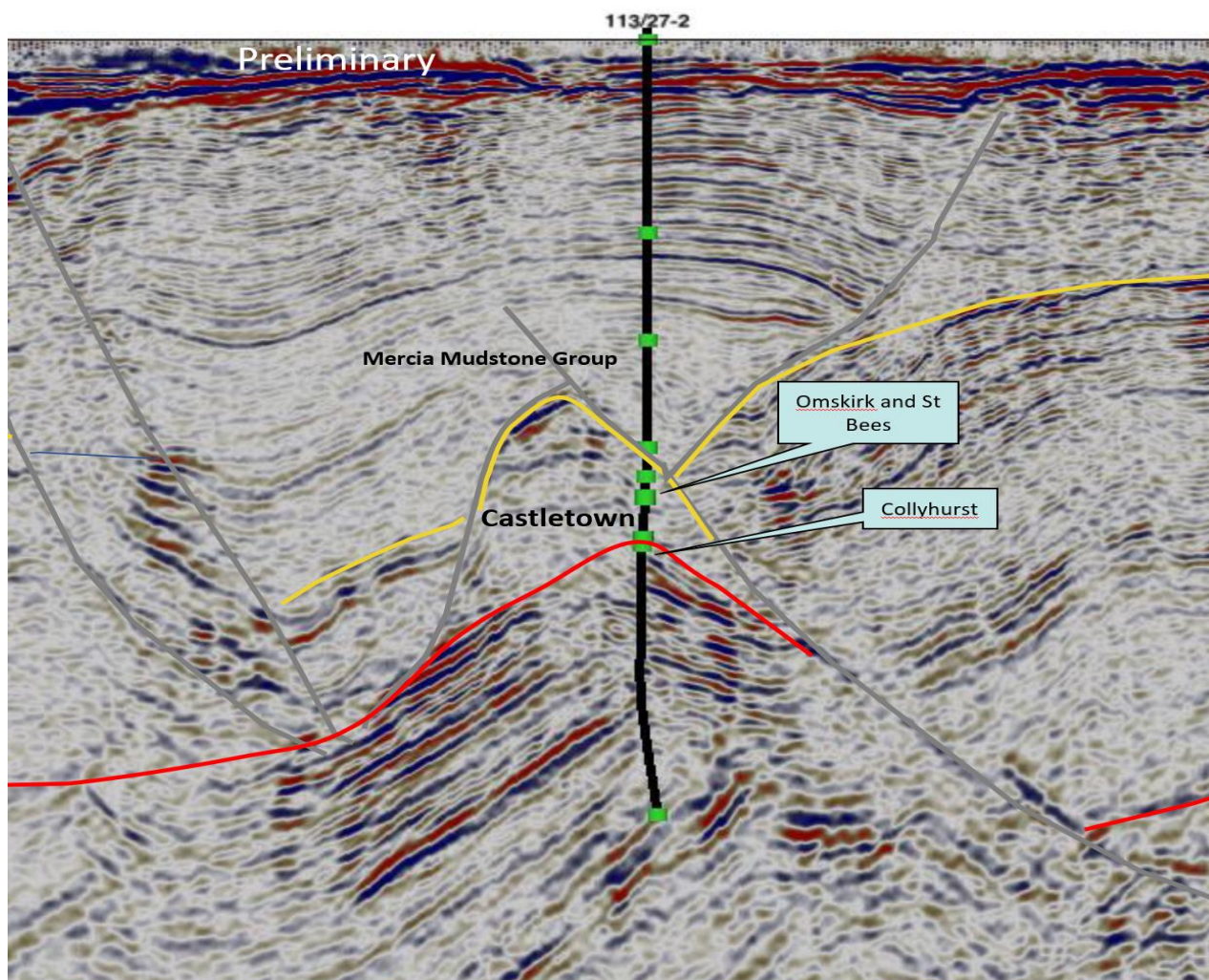
The Peel prospect is a fault block occupying a structurally similar setting to Doyle and the producing Rhyl gas field. It is fault bounded to the east by the Tynwald Fault Zone, with effective cross fault and top seal provided by the Mercia Mudstone. To the south and southwest dykes have been emplaced which would provide near vertical seals. The amplitude of the Ormskirk reflector is similar in reflection strength to the Rhyl productive area providing the possibility that this indicates a gas charge.

Blocks 113/22a (Doyle) and 113/27e (Doyle and Peel) have been merged into a single licence being P2446 ("P2446 Licence"). Block 113/22a was awarded in the UK Offshore 31st licensing round whereas block 113/27e was awarded in the 30th round.

Pursuant to the award of the P2446 licence, the committed work programme comprises a firm commitment by October 2021 to obtain and reprocess 50 square kilometres 3D seismic data, obtain 2,500 kms Aeromagnetic data and complete a Rock Physics study. Following which the Licence has a three-year drill or drop election.

Castletown Structure

The Castletown structure is also situated within the Tynwald Fault zone, just east of the Peel prospect. Well 113/27-2 was drilled in 1988 and discovered the Castletown gas accumulation in both Ormskirk and St Bees Triassic sandstones and the Permian Collyhurst Sandstone. The Ormskirk and St Bees provide the producing reservoirs in the adjacent Morecambe complex. The more recent depth migrated 3D seismic data indicates that the well was drilled significantly down flank of the crest and through a major fault and that a large gas accumulation may be proven up-dip.



The Castletown discovery is in Block 113/27d under Licence P2076. An additional fault closed prospect (Prospect A) is present in the Licence to the southwest of the Castletown structure. The prospect has similarities to the producing Rhyl gas field.

Transaction Overview

Burgate holds a 100% participating interest in Peel-Doyle, in the United Kingdom Seaward Production Licence (P2446, Blocks 113/22a and 113/27e).

Oilex has entered into a binding Term Sheet with Burgate to acquire a 100% participating interest in the P2446 Licence for consideration of:

- a) payment of £60,000;
- b) issue of 42,500,000 fully paid ordinary shares in Oilex Ltd with a deemed value of £85,000; and
- c) overriding royalty to be paid on the following basis:
 - i. 0.5% of actual gross revenue from commercial production up to the point when gross capital expenditures related to the development of the licence have been fully recovered from net cash flows ("Payback"); and
 - ii. following Payback, the royalty to be paid shall be 2.25% of actual gross revenues.

The completion of the acquisition of the Licence is subject to the following conditions precedent by 30 June 2020:

- a) the UK Oil and Gas Authority ("OGA") approving the assignment and transfer of the Licence from Burgate to Oilex;
- b) the execution of applicable documents necessary to transfer the Licence to Oilex; and

- c) execution of a royalty agreement in a form acceptable to the parties.

The shares to be issued as consideration for the acquisition of Doyle-Peel are under Listing Rule 7.1.

Oilex has also entered into an Exclusivity Agreement with BCS to secure an exclusive right to negotiate with BCS in respect of the proposed acquisition of Castletown. In this regard, Oilex has undertaken to pay £68,000 to BCS in January 2020 regarding the applicable licence fees payable to the OGA for the 2020 year.

BCS has granted Oilex exclusivity until 31 March 2020, during which time it is intended that the terms of the definitive documentation and funding for the Proposed Transaction will be finalised, and Oilex will seek confirmation from ASX that Listing Rules 11.1.2 and 11.1.3 will not apply to the potential Castletown acquisition.

Managing Director of Oilex, Joe Salomon, said;

“The EIS licences provide an attractive entry particularly as they lie adjacent to existing producing fields in a proven gas fairway in the centre of the East Irish Sea Basin. The Doyle-Peel prospects have the potential to host substantial prospective resources and Castletown has discovered gas in multiple reservoirs with the next step being the preparation of a field development plan including appraisal/development drilling.

Importantly, the Doyle-Peel licence is the Company’s first committed entry into the UKCS. In 2020, the Company will seek to build the Company’s critical mass in the UK with further synergistic acquisitions including the potential Castletown acquisition.

The Company continues to make solid progress on three fronts with the clear objective of building value for its investors by adding to the Company’s opportunity set. Outside of the UK, the Company’s Cooper Basin strategy is progressing steadily with demonstrable milestones anticipated in early 2020. Importantly, in India the Company’s Cambay project is at the final stages in resolving a long running and complex dispute with its Joint Venture partner ahead of an active drill programme planned in 2020.”

For and on behalf of Oilex Ltd



Joe Salomon
Managing Director

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Jonathan Salomon, B App Sc (Geology), Member of AAPG, SPE and PESA, GAICD, Director of the Company, has reviewed and approved the technical information contained within this press release in his capacity as a qualified person, as required under the AIM Rules.