

ASX Announcement

17 October 2016

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Oilex Reaches Agreement with GSPC on Cambay-78 Well

Oilex Ltd (the Company) is pleased to announce it has executed an agreement with its Joint Venture partner, Gujarat State Petroleum Corporation Limited (GSPC) in the Cambay Field Production Sharing Contract (PSC) on the next planned vertical well in the Cambay Field (Well C-78). The signing of the agreement is a key milestone towards the proposed drilling of Well C-78, unlocking value and possibly securing an extension to the Cambay Field PSC term.

In addition to testing the shallower OS-II zone, the well is designed to obtain core samples for the EP-IV zone reservoir which are needed for future drilling, completions and stimulation optimisation. The Company has an independently verified multi-TCF resource in the EP-III/IV reservoirs at Cambay.

As a result of the agreement, GSPC and Oilex have agreed that Oilex will drill, test, complete, commission and, subject to successful operations, commence commercial production from the proposed Well C-78. Oilex will be solely liable for all expenditure associated with Well C-78, and, subject to GSPC exercising its back in right, Oilex will be entitled to sell 100% of production and receive 100% of revenue from Well C-78.


GSPC shall be entitled to back in to Well C-78 within 365 days from the commencement of commercial production from Well C-78 by written notice to Oilex. If GSPC elects to exercise its back in right, it will pay to the Company 55% of any unrecovered expenditure, plus a small mark-up. If GSPC does not exercise its back in right within the 365 day period, Well C-78 will continue to be ring fenced for the exclusive benefit of Oilex for the balance of the PSC term and any extension thereto. Oilex has also agreed to impose limits on recoverable expenditure for operating costs should the well commence commercial production. The limits are consistent with the Company's expected operating costs for Well C-78.

Except for the above, all other activities associated with Well C-78 will be undertaken in accordance with the Joint Operating Agreement (JOA) terms and conditions. The parties have also undertaken to fast-track any required consents and or approvals required under the JOA to effect Well C-78.

The Company considers the successful execution of Well C-78 is required to progress towards the potential development of the multi-TCF unconventional gas opportunity at the Cambay Field. The drilling of Well C-78 is also essential for the Company to prepare and submit a Field Development Plan to the Government of India by September 2017 to obtain an extension to the PSC term. The current PSC term expires on 23 September 2019.

Commenting on the Agreement, Managing Director Jonathan Salomon said the Company was pleased to have to have reached an agreement with its Joint Venture partner to progress the drilling of Well C-78.

"This reflects a significant milestone in the ability of Oilex to unlock the Cambay Field potential and assist in potentially securing an extension to the PSC term" he said. "The agreement reinforces our determination to add value for shareholders by progressing the development of this key asset."

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For and on behalf of the Board



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