OILEX LTD

HIGHLIGHTS

SEPTEMBER QUARTERLY REPORT 2017

CAMBAY FIELD, ONSHORE GUJARAT, INDIA

- Core analysis confirms EP-IV tight siltstones at Cambay can be effectively stimulated, and that commercial gas flow rates are potentially achievable. The study also identified compelling reasons for past under-performance of EP-IV wells.
- Application for a ten-year extension of the PSC lodged in September 2017 ahead of PSC expiry date of September 2019.
- Active work programme of work overs and vertical wells being planned for 2018 subject to receipt of PSC extension and funding.
- Intermittent Gas production continued from the C-77H well at the Cambay Field.
- During the quarter, the Joint Venture partner, GSPC, paid the equivalent of US$78,182 (gross) against outstanding cash calls.

BHANDUT FIELD, ONSHORE GUJARAT, INDIA

- During the quarter, the Joint Venture partner, GSPC, paid the equivalent of US$34,708 (gross) against outstanding cash calls.
- Application for an extension of the PSC lodged in September 2017 ahead of PSC expiry date of September 2019.
- Potential opportunities for the sale of the PSC continue to be advanced.

CORPORATE

- Cash resources at 30 September 2017 A$1.91 million.
- Implementation of further extensive cost reduction initiatives effective from 1 October 2017.
- 11,722,222 broker options exercised.
- Actively reviewing new opportunities to create value by expanding the Company's project portfolio.

OVERVIEW

The Company's primary objective is to maximise shareholder value from its principal asset in the Cambay Basin, located onshore Gujarat State in India, whilst also continuing to review other opportunities to create value and diversify risk by adding new assets to the Company's project portfolio.

To that end, Oilex continues to evaluate and implement a range of technical programme options to progress the main objective of accessing the significant gas resource present in siltstones in the EP-IV reservoir at the Cambay PSC. North American unconventional drilling, completion and stimulation technologies have been applied by the Joint Venture over the last six years with positive but commercially modest results and work is underway to optimise results for future work programmes. The current technical work programmes are focused on:

- Evaluating the results and recommendations of the core analysis. The positive findings are an important input into developing the near-term work programme;
- Preparing detailed work programmes including work overs and new wells for implementation following the assumed grant of the extension of the Cambay PSC;
- Obtaining a ten-year extension of the Cambay PSC (incorporating a proposed Field Development Program (FDP)). The FDP and application for an extension of the PSC term was lodged in the September 2017 quarter and the Company is working closely with the Director General of Hydrocarbons (DGH) to secure the extension;
- Resolution of outstanding cash calls payable by the Company's Joint Venture partner GSPC; and
- The Company continues to evaluate new opportunities to add to the Company's project portfolio.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

No lost time incidents recorded during the quarter.

CAMBAY FIELD, GUJARAT, INDIA

(Oilex: Operator and 45% interest)

During the quarter gas production re-started from the C-77H well at the Cambay Field. Production from the C-77H well averaged 166 mscfd with 7 bpd associated liquids (35 boepd; Oilex net 16 boepd) during the quarter. The current gas sales agreements were renegotiated to take any additional produced volumes as and when required. The Company plans to cycle production between C-77 and C-73 as part of its reservoir management.

In support of the application for an extension of the PSC, a FDP was completed in September and lodged with the DGH. The application, for a ten-year extension of the PSC term beyond its expiry in September 2019, was required to be lodged in advance during September 2017.

In support of the application, over the past year an intensive study of the field has been completed. The study has involved both the shallower OS-II reservoir for unswept gas and oil and the deeper EP-IV for development of the gas resource. We wish to thank our staff, Joint Venture partner, contractors, the DGH and Ministry of Petroleum and Natural Gas for their contribution and support in completing these extensive studies.

A formal response on the application is anticipated in mid-2018 although the Company believes that response may be achieved sooner.

During the quarter the C-23z core analysis at EP-IV level was completed. The analysis, by Schlumberger and Baker Hughes has confirmed that the EP-IV tight siltstones at Cambay can be effectively stimulated, and that commercial gas flow rates are potentially achievable.

The Company has a significant multi-TCF gas resource at the Cambay PSC in the EP-IV tight siltstones that requires drilling and stimulation optimisation technologies to achieve commercial flow rates. Schlumberger and Baker Hughes were appointed to complete the core analysis and to report on the reasons for under-performance of past wells. The purpose of

their work was to identify any substantial impediments to achieving potential commercial flow rates and to advise on the optimal well and stimulation design required to take the project forward.

Both Schlumberger and Baker Hughes are global leaders in the stimulation of tight gas reservoirs. Schlumberger was appointed to provide geomechanical testing, fluid sensitivity testing and proppant embedment testing on the core. The data from these tests along with past well and production histories were incorporated into a review by Baker Hughes to assess the suitability of the reservoir rocks for drilling and stimulation and to also identify methodologies to maximise production from the EP-IV reservoir.

The key observations from the expert core testing and optimisation analysis are as follows:

- The reservoir rocks have the essential characteristics for the development of suitable fractures required to increase exposure to the reservoir and to increase gas flow rates under production. This substantively removes a concern over relative rock strength in the Cambay being lower than many North American projects.
- Placement of the fractures within the overall reservoir section is critical to achieve optimum fracture length and direction and to ensure that the factures are constrained within the reservoir section. On prior vertical wells the fractures propagated vertically rather than laterally within the reservoir, thus providing little benefit.
- Reservoir temperature and pressure offer no specific challenges to the application of the stimulation technologies.
- Clays within the EP-IV reservoir rocks are subject to modest swelling which can be effectively ameliorated with readily available fluid additives.
- Proppant selection is important to maintain the necessary conductivity for sustained production. Readily available higher strength proppants than used previously are recommended.
- Given the relative softness of the reservoir formation, it is critical to avoid over-flushing of proppant, which in past wells resulted in the loss of communication between fractures and wellbore, leading to significant production under-performance. This does not appear to present any major technical challenge, instead requires active planning and management during stimulation operations.
- Different stimulation fluids are required to optimise the stimulation phases and ensure effective initial fracture propagation and subsequent proppant placement whereas prior wells used a single gel based fluid.

The evaluation of the core analysis is ongoing as the Company formulates its work programme for 2018, including funding options.

The planned work programme will draw upon the FDP which includes a phased word programme commencing with low cost workovers before progressing to wells at both OS-II and EP-IV levels. Any early production will utilise existing processing and storage facilities to provide a low cost path to production. Given success, a larger drilling programme will follow, with the aim of aggregating sufficient production volumes to connect to the high pressure pipelines which offer greater offtake stability and improved gas prices.

It is anticipated that the implementation of the EP-IV work programme will adopt and practically test the recommendations from Baker Hughes. The implementation of these work programmes is subject to the grant of the extension of the Cambay PSC.

Joint Venture Management

During the quarter, the Company made further progress in the resolution of the outstanding cash calls owing to the Cambay Joint Venture by GSPC. The operator has received the equivalent of US$78,182 regarding outstanding cash calls from its joint venture partner.

As at 30 September 2017, gross unpaid cash calls remaining outstanding from GSPC totalled approximately US$5.5 million. The Company continues to maintain a constructive dialogue with its joint venture partner to resolve the payment of these remaining outstanding cash call balances. Oilex as Operator, has continued to bear the ongoing costs of the Joint Venture. As a result of positive discussions, it is anticipated that GSPC will commence regular contributions to ongoing operating cash calls going forward.

BHANDUT FIELD, GUJARAT, INDIA

(Oilex: Operator and 40% interest)

Oilex holds a 40% equity in the Bhandut Field, with GSPC holding the remaining participating interest. Previous drilling in the Bhandut Field intersected a number of hydrocarbon zones, some of which have been produced and are now shut-in.

During the quarter, the Bhandut-3 well remained shut-in due to increased water production.

The preparation of the Field Development Plan, in support of the application for an extension of the PSC was completed in September 2017. The application for an extension of the PSC term beyond September 2019 (required to be lodged by late September 2017) was lodged with the DGH.

The field has ongoing production and exploration potential, coupled with existing production facilities. The Company is currently in discussion with several parties, seeking expressions of interest in a possible sale of its participating interest in the PSC.

During the quarter Oilex received gross US$34,708 from GSPC against outstanding cash calls for Bhandut.

At the end of the quarter, total unpaid cash calls by GSPC had been reduced to US$50,647 gross.

Potential opportunities for the sale of the PSC continue to be advanced.

WALLAL GRABEN, WESTERN AUSTRALIA (CANNING BASIN)

(Oilex: Preferred Applicant 100% interest)

The Wallal Graben asset is located adjacent to the Pilbara, a global resource centre for iron ore and LNG in Western Australia. The Wallal Graben blocks are currently under application with the Department of Mines and Petroleum (DMP) with the final award subject to entering into Heritage Agreements with the Nyangumarta and Njamal People.

JPDA 06-103, TIMOR SEA

(Oilex: PSC Terminated 15 July 2017 - Operator and 10% interest)

Oilex as operator, and on behalf of the JPDA 06-103 Joint Venture participants, continues to seek a resolution to the dispute with Autoridade Nacional do Petroleo e Minerais (ANPM) in relation to matters associated with the termination of JPDA 06-103 PSC. In July 2015, the ANPM rejected the Joint Venture request to terminate the PSC by mutual agreement in good standing and without penalty, and the ANPM sought to impose a penalty of approximately US$17 million upon the Joint Venture (100%) and the ANPM terminated the PSC on 15 July 2017. The Joint Venture undertook significantly more exploration expenditure than required during the PSC term and believes the excess was not properly accounted for in accordance with the terms of the PSC.

The Joint Venture continues its dialogue with the ANPM and remains hopeful an amicable settlement will be reached. If the parties are unable to reach an amicable settlement, any party may refer the matter to arbitration. If this occurs, the obligations and liabilities of the Joint Venture participants under the PSC are joint and several, with parent company guarantees provided by all Joint Venture participants. Oilex has a 10% participating interest in the Joint Venture.

WEST KAMPAR PSC, CENTRAL SUMATRA, INDONESIA

(Oilex: 45% interest and further 22.5% secured [1])

The Company remains in dispute with the operating company, PT Sumatera Persada Energi (SPE) which was declared bankrupt. The Indonesian Government regulator, SKK Migas that Oilex continues to retain a 45% participating interest in the PSC. In the absence of a commercial settlement, the Company intends to preserve its rights. Oilex continues to pursue enforcement of the Arbitration Award and a commercial settlement.

CORPORATE

At the end of the quarter Oilex retained cash resources of A$1.91 million.

Cost Reduction Initiatives

Effective from 1 October, the Company has implemented a further cost reduction initiative reflecting the Company's wish to preserve its cash resources ahead of the grant of the extension of the Cambay PSC. The cost reductions, which are being undertaken in both Perth and India, include:

- 20% overall reduction in personnel costs incorporating reduced hours;
- reduction in corporate and administration costs in the Company's head office and India;
- part payment of non-executive director fees with equity (subject to shareholder approval); and
- deferral of all non-essential expenditure.

The cash position at the end of the quarter, cost reduction strategy and together with the possibility of further cash inflows from payment of cash call arrears and or the sale of Bhandut is anticipated to assist the Company in being able to defer any significant equity issues in the near term.

Issue of Shares

On 4 September 2017, the Company issued 13,809,266 ordinary shares following exercise of 11,722,222 broker options at 0.225 pence expiring 22 May 2020, in addition, the Company issued 2,087,044 shares as consideration for consulting services.

Capital Structure as at 30 September 2017

Ordinary Shares	1,698,112,165
Unlisted Options	274,977,051

Qualified Petroleum Reserves and Resources Evaluator Statement

Pursuant to the requirements of Chapter 5 of the ASX Listing Rules, the information in this report relating to petroleum reserves and resources is based on and fairly represents information and supporting documentation prepared by or under the supervision of Mr Joe Salomon, Managing Director employed by Oilex Ltd. Mr Salomon has over 30 years' experience in petroleum geology and is a member of the Society of Petroleum Engineers and AAPG. Mr Salomon meets the requirements of a qualified petroleum reserve and resource evaluator under Chapter 5 of the ASX Listing Rules and consents to the inclusion of this information in this report in the form and context in which it appears. Mr Salomon also meets the requirements of a qualified person under the AIM Note for Mining, Oil and Gas Companies and consents to the inclusion of this information in this report in the form and context in which it appears.

CORPORATE DETAILS

Board of Directors

Brad Lingo	Non-Executive Chairman
Max Cozijn	Non-Executive Director
Paul Haywood	Non-Executive Director
Joe Salomon	Managing Director

Company Secretary

Mark Bolton	CFO & Company Secretary

Stock Exchange Listing

Australian Securities Exchange	Code: OEX
AIM London Stock Exchange	Code: OEX

AIM Nomad	**AIM Broker**
Strand Hanson Limited	Cornhill Capital Limited

Share Registry

Australia

Link Market Services Limited
Level 12
250 St. Georges Terrace
Perth WA 6000 Australia
Telephone: 1300 554 474
Website:
http://investorcentre.linkmarketservices.com.au

United Kingdom

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS13 8AE United Kingdom
Telephone: +44 (0) 870 703 6149
Website:
www.computershare.com

PERMIT SCHEDULE

PERMIT SCHEDULE – 30 SEPTEMBER 2017				
ASSET	**LOCATION**	**ENTITY**	**EQUITY %**	**OPERATOR**
Cambay Field PSC	Gujarat, India	Oilex Ltd Oilex N.L. Holdings (India) Limited	30.0 15.0	Oilex Ltd
Bhandut Field PSC	Gujarat, India	Oilex N.L. Holdings (India) Limited	40.0	Oilex N.L. Holdings (India) Limited
West Kampar PSC	Sumatra, Indonesia	Oilex (West Kampar) Limited	67.5 [(1)]	PT Sumatera Persada Energi
JPDA 06-103 PSC [(2)]	Joint Petroleum Development Area Timor Leste and Australia	Oilex (JPDA 06-103) Ltd	10.0	Oilex (JPDA 06-103) Ltd
STP-EPA-0131 Application	Western Australia	Admiral Oil Pty Ltd [(3)]	100.0	Admiral Oil Pty Ltd [(4)]
STP-EPA-0106 Application	Western Australia	Admiral Oil and Gas (106) Pty Ltd [(3)]	100.0	Admiral Oil and Gas (106) Pty Ltd [(4)]
STP-EPA-0107 Application	Western Australia	Admiral Oil and Gas (107) Pty Ltd [(3)]	100.0	Admiral Oil and Gas (107) Pty Ltd [(4)]

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

[(2)] PSC terminated 15 July 2015

[(3)] Ultimate parent entity is Oilex Ltd.

[(4)] Current status is a Preferred Applicant

LIST OF ABBREVIATIONS AND DEFINITIONS

Barrel/bbl	Standard unit of measurement for all oil and condensate production. One barrel is equal to 159 litres or 35 imperial gallons.
MMBO	Million standard barrels of oil or condensate
SCFD	Standard cubic feet (of gas) per day
MSCFD	Thousand standard cubic feet (of gas) per day
MMSCFD	Million standard cubic feet (of gas) per day
BBO	Billion standard barrels of oil or condensate
BCF	Billion Cubic Feet of gas at standard temperature and pressure conditions
TCF	Trillion Cubic Feet of gas at standard temperature and pressure conditions
Discovered in place volume	Is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production
Undiscovered in place volume	Is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered
PSC	Production Sharing Contract
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations. Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. Possible Reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recoverable than Probable Reserves. Reserves are designated as 1P (Proved), 2P (Proved plus Probable) and 3P (Proved plus Probable plus Possible). Probabilistic methods P90 refers to the quantity for which it is estimated there is at least a 90% probability the actual quantity recovered will equal or exceed. P50 refers to the quantity for which it is estimated there is at least a 50% probability the actual quantity recovered will equal or exceed. P10 refers to the quantity for which it is estimated there is at least a 10% probability the actual quantity recovered will equal or exceed.

Rule 5.5

APPENDIX 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

OILEX LTD

ABN	Quarter ended (current quarter)
50 078 652 632	**30 SEPTEMBER 2017**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	33	33
1.2	Payments for		
	(a) exploration & evaluation	(441)	(441)
	(b) development	-	-
	(c) production	(88)	(88)
	(d) staff costs	(250)	(250)
	(e) administration and corporate costs	(306)	(306)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material)		
	Litigation Legal Fees – Final Payment	(265)	(265)
1.9	**Net cash from / (used in) operating activities**	**(1,315)**	**(1,315)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	43	43
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(7)	(7)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**36**	**36**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,216	3,216
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,315)	(1,315)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	36	36
4.5	Effect of movement in exchange rates on cash held	(26)	(26)
4.6	**Cash and cash equivalents at end of period**	**1,911**	**1,911**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,911	3,216
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,911**	**3,216**

6.	**Payments to directors of the entity and their associates**	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	111
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director's fees & superannuation

		Current quarter $A'000
7.	**Payments to related entities of the entity and their associates**	
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

		Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*		
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

		$A'000
9.	**Estimated cash outflows for next quarter**	
9.1	Exploration and evaluation	350
9.2	Development	-
9.3	Production	50
9.4	Staff costs	200
9.5	Administration and corporate costs	465
9.6	Other (provide details if material)	-
9.7	**Total estimated cash outflows**	**1,065**

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Refer to Permit Schedule in Quarterly Report		
10.2	Interests in mining tenements and petroleum tenements acquired or increased		Refer to Permit Schedule in Quarterly Report		

COMPLIANCE STATEMENT

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date: 26 October 2017

CFO & Company Secretary

Print name: Mark Bolton