

16 August 2019

ASX: OEX

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JPDA Arbitration – Counterclaim for US\$23.3 million

In October 2018, the Company announced the Autoridade Nacional Do Petroleo E Minerais (ANPM) had commenced arbitration proceedings against Oilex and its joint venture partners (Respondents), in regard to the JPDA production sharing contract (PSC).

The Company announces it has today submitted the Respondents First Memorial to the International Chamber of Commerce (ICC) in Singapore. In this regard, following a substantive legal and independent expert review, the joint venture has lodged a counterclaim against the ANPM for the amount US\$23.3 million (plus interest) as damages arising from the wrongful termination of the PSC. Oilex holds a 10% participating interest in the JPDA joint venture.

The arbitration hearing is scheduled to commence on 10 February 2020.

Background

In November 2006, Oilex Ltd, via its wholly owned subsidiary Oilex (JPDA 06-103) Ltd (**Oilex**) and its Joint Venture partners entered into the PSC. The PSC effective date was 15 January 2007 and Oilex was appointed Operator.

On 12 July 2013, the Operator, on behalf of the Joint Venture, submitted to the ANPM a Request to Terminate the PSC by Mutual Agreement in accordance with the PSC terms and without Penalty or Claim (**Request**). The Request was issued as a result of ongoing uncertainty as to security of PSC tenure which arose as a result of a maritime boundary dispute between the Governments of Timor Leste and Australia.

On 15 May 2015, the ANPM issued a Notice of Intention to Terminate the PSC and subsequently, on 15 July 2015, issued a Notice of Termination and Demand for Payment. The demand for payment (100%) of the penalty claim of US\$17.0 million (plus interest) reflected the ANPM's estimate of the cost of exploration activities not undertaken in 2013, as well as certain local content obligations set out in the PSC. More recently, ANPM has sought to amend its claim to US\$22.26 million.

On 17 October 2018, the Company announced it had received correspondence from ANPM, the body responsible for managing and regulating petroleum and mining activities in the Timor-Leste area, advising that it had submitted a Request for Arbitration (RFA) to the ICC. The RFA relates to matters associated with the termination of the PSC by the ANPM.

In addition to other matters, the Joint Venture considers it has made significant over expenditure in executing the PSC work programme and further, the ANPM failed to properly assess and award credit for such additional expenditure when terminating the PSC. Notwithstanding the Joint Venture considers no penalty payment is applicable, the parties made a number of unsuccessful attempts to settle the matter in dispute prior to the arbitration proceedings issuing.

The obligations and liabilities of the Joint Venture participants under the PSC are joint and several and all participants have provided parent company guarantees. The equity interest of the Joint Venture participants are:

Oilex (JPDA 06-103) Ltd (Operator)	10%
Pan Pacific Petroleum (JPDA 06-103) Pty Ltd	15%
Japan Energy E&P JPDA Pty Ltd	15%
GSPC (JPDA) Limited #	20%
Videocon JPDA 06-103 Limited *#	20%
Bharat PetroResources JPDA Ltd	20%
Total	100%

* The Company understands that the parent company Videocon Industries Ltd is subject to corporate insolvency proceedings and continues to trade under the supervision of an insolvency professional.

A notice of default has been issued against both Videocon JPDA 06-103 Limited and GSPC (JPDA) Limited for their failure to pay the joint venture cash calls.

Commenting on the arbitration, Managing Director Mr Joe Salomon said that "it was disappointing that the ANPM elected to pursue arbitration. The US\$23.3 million counter-claim further supports our view that the joint venture has previously and will continue to act in good faith, with previous offers to settle the matter being generous."

For and on behalf of Oilex Ltd

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