

ASX-RNS Announcement

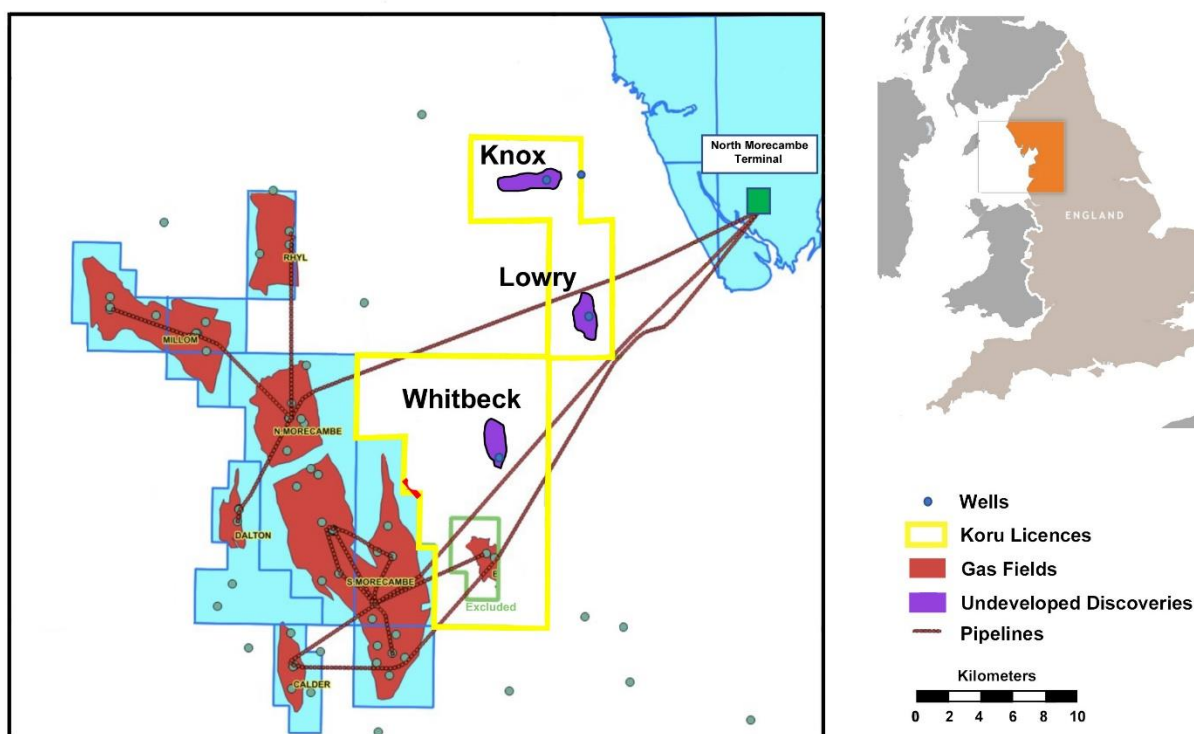
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ASX: OEX
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Exclusivity Agreement - East Irish Sea Licences

The Board of Oilex Limited (the "Company") is very pleased to announce that it has entered into an exclusivity agreement with Koru Energy (KLW) Ltd ("Koru"), a subsidiary of Koru Energy Limited, for a potential acquisition of up to a 50% relevant interest in the Knox and Lowry, and Whitbeck gas discoveries (the "KLW Gas Discoveries") in the East Irish Sea (EIS), offshore the United Kingdom ("Exclusivity Agreement").

The KLW Gas Discoveries are a series of shallow water gas accumulations that were discovered between 1992 and 2009 by the then operators and successfully drill-stem tested confirming discovered volumes that the Company and Koru would seek to bring into production, should the acquisition complete. The KLW Gas Discoveries are ideally located very close to a subsea tie-back pipeline which delivers gas to the nearby and recently refurbished North Morecambe Gas Production Platform and Terminal.



The EIS is a prolific basin which has produced more than 6TCF of gas to date with considerable existing gas production, gathering, processing and transportation infrastructure. The KLW Gas Discoveries are located in known conventional shallow reservoirs in shallow water near existing EIS gathering and production infrastructure reducing the complexity, risk and cost of development.

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Project Overview

The Knox and Lowry gas discovery projects are well advanced having successfully flowed gas when drill stem tested with reported raw gas flows of 12.3MMCFD and 22MMCFD, respectively. These well tests have demonstrated good quality reservoirs similar to nearby analogous fields that have been successfully developed and have delivered attractive production rates and gas recoveries.

The main reservoir interval in the EIS and in each of the K LW Gas Discoveries is the prolific Lower Triassic Ormskirk Sandstone Formation.

| | Reservoir | Porosity % | Reservoir Depth | | Gas Column Height | | Trap Style | Raw Gas Test Rate MMCFD | Gas Quality % | |
|-----------------|-----------|------------|-----------------|------|-------------------|----|-----------------------|-------------------------|----------------|-----------------|
| | | | ft | m | ft | m | | | N ₂ | CO ₂ |
| Knox | Ormskirk | 18 | 1347 | 411 | 200 | 61 | Segmented fault block | 12.3 | 18 | 0.4 |
| Lowry | Ormskirk | 19 | 2100 | 640 | 208 | 63 | Titled fault block | 22 | 31 | 0.2 |
| Whitbeck | Ormskirk | 12 | 5383 | 1641 | 120 | 37 | 3-way faulted closure | Not tested | 14 | 0.1 |

Spirit Energy Limited ("Spirit"), a joint stock company owned by Centrica Plc and Bayern Gas Norge AS, is the owner and operator of the tie-back pipeline and North Morecambe gas processing terminal and has indicated strong support for the development of the K LW Gas Discoveries. Spirit also has certain back-in rights with respect to the K LW Gas Discoveries.

Transaction Overview

Koru holds the exclusive right to acquire a 100% interest in the United Kingdom Seaward Production Licence P2459, Block 113/28a (Knox) and 113/29a (Lowry) and P2444 Block 110/3b ('Whitbeck') licences (the "Licences") in the EIS from Reach Coal Seam Gas Ltd ("Reach") which cover the K LW Gas Discoveries.

It is currently proposed that Oilex will enter into an agreement with Koru pursuant to which Oilex would acquire a 50% interest in the Licences and the K LW Gas Discoveries for cash consideration of £500,000 (the "Purchase Consideration"). These funds payable to Koru will substantively be applied by Koru to complete the acquisition of the Licences from Reach ("Proposed Transaction"). Pursuant to the Proposed Transaction, the Licences would be held on a 50/50 basis between Oilex and Koru under a joint venture structure (the "K LW Joint Venture"). Pursuant to a joint operating agreement to be entered into, Koru will be the operator of the K LW Joint Venture.

Oilex cautions that no definitive binding agreement has been executed for the Proposed Transaction and cautions investors against making an investment decision on the basis of the Proposed Transaction completing.

Exclusivity

Oilex has entered into the Exclusivity Agreement with Koru to secure its exclusive right to negotiate with Koru in respect of the Proposed Transaction. Oilex has today paid a non-refundable £50,000 exclusivity fee to Koru. This fee will be offset against the Purchase Consideration, should the Proposed Transaction complete.

Koru has granted Oilex exclusivity until 30 September 2019. During this 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 Proposed Transaction.

Transaction Funding

Oilex is in advanced negotiations with potential co-investors into Oilex's half of the K LW Joint Venture, where the co-investors would substantially fund the Purchase Consideration payable by Oilex, should the Proposed Transaction complete. In this case, the Company's beneficial interest in the joint venture will be reduced. This route allows Shareholders to maintain material exposure to the potential upside of the assets whilst limiting dilution at the Company

level to fund the Purchase Consideration. In the event that the negotiations with the potential co-investors are not successful, the Company may elect to fully fund the Purchase Consideration.

Managing Director of Oilex, Joe Salomon, said;

"After an extensive and detailed search for suitable assets for Oilex in the UKCS, we are delighted to make this announcement today. The Licences, which incorporate discovered and tested gas volumes and comprise a portfolio of projects, provide the initial platform for the Company to build the necessary critical mass for a sustainable UKCS business. Having recently entered the Cooper Basin, and also come to an agreement with GSPC relating to the Cambay licence, we are now making progress on three fronts, and significantly adding to the Company's opportunity set through which to build value for investors."

For and on behalf of Oilex Ltd



Joe Salomon
Managing Director

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