

HIGHLIGHTS

CAMBAY FIELD, ONSHORE GUJARAT, INDIA

- » Oilex continues to focus its resources on unlocking the multi-TCF in-place tight gas potential in its onshore Cambay Block.
- » Planning continues for the drilling of the Cambay-78 vertical well with the dual objectives of developing the un-depleted OS-II sand and to obtain core samples from the EP-IV Zone reservoir for drilling and stimulation studies.
- » Agreement reached with GSPC for Oilex to drill Cambay-78 on a 'Sole Fund/Sole Reward' basis.
- » During the quarter, the Joint Venture partner released US\$183,800 against outstanding cash calls.

BHANDUT FIELD, ONSHORE GUJARAT, INDIA

- » Production at Bhandut-3 well averaged 232 mscfd, or 40 boepd (Oilex net 93 mscfd, or 16 boepd).
- » Following technical and economic assessment, Bhandut-3 has been shut-in from 6 October 2016 due to increased water production.
- » During the quarter, the Joint Venture partner released equivalent US\$100,359 against of outstanding cash calls.
- » Application for three-year extension of Petroleum Mining Lease was approved.

CORPORATE

- » Implementation of additional material cost reduction initiatives undertaken in order to preserve cash resources ahead of the planned Cambay-78 vertical well and ongoing working capital requirements.
- » These additional cost reduction programmes, being undertaken in both Perth and India, will see a 30% reduction in staff and significant reductions to the executive management and director's remuneration.
- » The Company is proceeding with its insurance claim in respect of potentially recovering part of the costs associated with the Zeta litigation.
- » Cash balance at 30 September 2016 was \$3.65 million.

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OPERATIONS REVIEW

OVERVIEW

The Company's primary objective is to maximize shareholder value from its principal asset at Cambay, located onshore Gujarat State in India.

At Cambay, the Company is in the final stages of planning a vertical well Cambay-78 designed initially to obtain core samples for potential well stimulation of the EP-IV Zone reservoir. The core is required for future drilling, completions and stimulation optimisation studies, and to support a possible Field Development Program as part of a submission to seek an extension of the term of the PSC. The well will also test the shallower OS-II Zone for potential production and to provide the basis for a plan to secure the PSC extension application. Drilling of the proposed well remains subject to final cost estimates and obtaining the necessary funding, however, it is anticipated that drilling operations will occur in 1H 2017 with EP-IV stimulation to follow some months later.

In order to advance the drilling, in October 2016 the Company executed an agreement with its Joint Venture partner, Gujarat State Petroleum Corporation Limited (GSPC) under which Oilex will drill, test, complete, commission and, subject to successful operations, commence commercial production from the proposed Cambay-78 well. Oilex will be solely liable for all expenditure associated with Cambay-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 the well.

During the September 2016 quarter, the Company announced the implementation of additional material cost reduction initiatives. The initiatives reflect the Company's intention to direct cash resources to the planned Cambay-78 vertical well and ongoing working capital requirements. The cost reductions in G&A and office costs, are being undertaken in both Perth and India.

In the previous quarter, Oilex has extracted itself from a costly litigation with Zeta Resources Limited (Zeta). The litigation costs are subject to an insurance claim by the Company with an outcome anticipated during the December 2016 quarter.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

No lost time incidents recorded during the quarter.

CAMBAY FIELD, GUJARAT, INDIA

(Oilex: Operator and 45% interest)

Oilex continues to focus its resources on unlocking the multi-TCF in-place tight gas potential in its onshore Cambay Block, Gujarat State, India. In this regard, the Company is in the final stages of planning a proposed vertical well Cambay-78 in the Cambay PSC, located onshore Gujarat State India. The well has been designed to achieve the following objectives:

- To obtain core samples from the EP-IV Zone reservoir which are needed to gather information on fluid saturations and optimal future drilling, completions and stimulation technology;
- Subject to core analysis results, undertake well stimulation of the EP-IV Zone; and
- To test the shallower OS-II Zone for production and to prepare an OS-II Field Development Plan for submission to the Government of India to meet the PSC extension requirements, which are required two years prior to the end of the PSC term, in September 2019.

The Company considers that the successful execution of Cambay-78 is required to progress towards the potential development of the multi-TCF unconventional gas opportunity in the Cambay Field. The drilling of Cambay-78 is also essential for the Company to prepare and submit a Field Development Plan to the Government of India (GoI) by September 2017 to obtain an extension to the PSC term.

The current PSC term expires on 23 September 2019. The GoI formally approved its Policy for the Grant of Extension to Production Sharing Contracts including the Cambay PSC in March 2016. The Company intends to lodge a request for grant of extension to the Cambay PSC in accordance with this policy, which remains untested.

OPERATIONS REVIEW

Drilling of the proposed well remains subject to final cost estimates and obtaining the necessary funding, however it is anticipated that drilling operations will occur in 1H 2017 with EP-IV stimulation to follow several months later.

Subsequent to the quarter, in October 2016, the Company executed an agreement with its Joint Venture partner GSPC, under which Oilex will drill, test, complete, commission and, subject to successful operations, commence commercial production from the proposed Cambay-78 well. Oilex will be solely liable for all expenditure associated with Cambay-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 Cambay-78. GSPC shall be entitled to back in to Cambay-78 within 365 days from the commencement of commercial production for a cost of 55% of any unrecovered expenditure for the well, plus a small mark-up. Oilex has also agreed to impose limits on recoverable expenditure for operating costs should the well commence commercial production.

Except for the above, the agreement provides that all other activities associated with Cambay-78 will be undertaken in accordance with the Joint Operating Agreement (JOA) terms and conditions with the parties undertaking to fast-track any required consents and or approvals required under the JOA to effect Cambay-78.

Production from Cambay for the quarter was approximately 29.6 mscfd plus 3.3 bpd liquids or 8.42 boepd (Oilex net 3.79 boepd) with the bulk of production coming from the Cambay-73 EP-IV reservoir. Cambay-73 was on production test from 2 July 2016 to 24 July 2016 in order to complete the six months testing period. Cambay-73 along with Cambay-77H, is presently shut-in.

At the end of the quarter, total unpaid cash calls by GSPC were approximately US\$7.0 million. During the quarter Oilex received US\$183,800 from GSPC against outstanding cash calls for Cambay.

BHANDUT FIELD, GUJARAT, INDIA

(Oilex: Operator and 40% interest)

Production from the Bhandut Field in the September 2016 quarter was from the Bhandut-3 well. Production averaged 233 mscfd or 40 boepd (Oilex net 93 mscfd or 16 boepd) during the quarter.

Oilex is Operator and holds 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. The Bhandut-3 well commenced production from a previously undeveloped sandstone at a depth of 1,010 metres at virgin reservoir pressure.

During the quarter, the Gol approved the extension of the Bhandut Petroleum Mining Lease (PML) for a further three years to 22 September 2019. The extended Bhandut PML end date is consistent with the remaining PSC term.

During the quarter, the well economics have not improved reflecting increased water production. There are no other producing wells from the Bhandut Field at this time. Following a review of the ongoing technical and economic parameters at Bhandut-3, this well has been shut-in after quarter end.

WALLAL GRABEN, WESTERN AUSTRALIA (CANNING BASIN)

(Oilex: Operator and 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 frontier exploration blocks that represent a potential low cost entry to an underexplored area. Oilex continues to investigate low cost exploration de-risking tools and approaches that address the geological uncertainties in this basin and potentially provide an alternative lower cost work programme.

Final award of the blocks requires signing of Heritage Agreements with the Nyangumarta and Njamal People and is linked to a request to the Department of Mines and Petroleum (DMP) that all three blocks be awarded simultaneously. Consultations on the Heritage Agreements are nearly complete following which the DMP will make an offer to grant a Petroleum Exploration Permit for each of the three blocks to Oilex for its acceptance.

Oilex continues to review opportunities to attract participants to share the funding requirements for this project.

JPDA 06-103, TIMOR SEA

(Oilex: 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 sought to impose a penalty of approximately US\$17 million upon the Joint Venture. The Joint Venture carried out significantly more exploration than required during the PSC term and believes the excess was not properly credited in accordance with the PSC.

The Joint Venture continues its discussions 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⁾)

A Court approved Scheme of Arrangement has been implemented over the Operator, however, 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 \$3.65 million.

Cost Reduction Initiatives

During the quarter, the Company announced the implementation of additional material cost reduction initiatives. The initiatives reflect the proposed activity level for 2017 and the requirement to direct cash resources to the planned Cambay-78 vertical well. The cost reductions, which are being undertaken in both Perth and India, include:

- 30% overall reduction in the number of personnel;
- 14% average reduction in salaries and wages for existing personnel;
- review of commercial operations at Cambay and Bhandut Fields;
- careful management of planned drilling and project costs; and
- deferral of all non-essential expenditure.

The additional salary reductions are being led by Oilex Executive Management and its Non-Executive Directors. These additional changes are effective from 1 October 2016.

Litigation Insurance Claim

During the June 2016 quarter Oilex reached an agreement with Zeta that ended the legal proceedings between the parties. The Company continues to engage with its insurers with a view to potentially recovering part of the litigation costs. The final insurance claim is subject to ongoing assessment by the Company's insurers and the quantum of the recovery is uncertain.

Capital Structure as at 30 September 2016

Ordinary Shares	1,180,426,999
Unlisted Options	17,250,000

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 Jonathan 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.

Board of Directors

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

Company Secretary

Mark Bolton	CFO & Company Secretary
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Stock Exchange Listing

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

Share Registry

Australia

Link Market Services Limited
Central Park
Level 4
152 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
Facsimile: +44 (0) 870 703 6116
Website:
www.computershare.com

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**PERMIT
SCHEDULE**

PERMIT SCHEDULE - 30 SEPTEMBER 2016

ASSET	LOCATION	ENTITY	EQUITY %	OPERATOR
Cambay Field PSC	Gujarat, India	Oilex Ltd	30.0	Oilex Ltd
		Oilex N.L. Holdings (India) Limited	15.0	
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	Joint Petroleum Development Area Timor Leste and Australia	Oilex (JPDA 06-103) Ltd	10.0	Oilex (JPDA 06-103) Ltd
STP-EPA-0131	Western Australia	Admiral Oil Pty Ltd ⁽²⁾	100.0	Admiral Oil Pty Ltd ⁽²⁾
STP-EPA-0106	Western Australia	Admiral Oil and Gas (106) Pty Ltd ⁽²⁾	100.0 ⁽³⁾	Admiral Oil and Gas (106) Pty Ltd ⁽²⁾
STP-EPA-0107	Western Australia	Admiral Oil and Gas (107) Pty Ltd ⁽²⁾	100.0 ⁽³⁾	Admiral Oil and Gas (107) Pty Ltd ⁽²⁾

⁽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 SKKMigas) but has not yet been approved or rejected. If Oilex is paid the funds due it will not be entitled to also pursue this assignment.

⁽²⁾ Ultimate parent entity is Oilex Ltd.

⁽³⁾ Current status is a Preferred Applicant

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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.

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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

50 078 652 632

Quarter ended ("current quarter")

30 September 2016

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	71	71
1.2	Payments for		
	(a) exploration & evaluation	(285)	(285)
	(b) development	(16)	(16)
	(c) production	(181)	(181)
	(d) staff costs	(354)	(354)
	(e) administration and corporate costs	(371)	(371)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
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	(253)	(253)
1.9	Net cash from / (used in) operating activities	(1,388)	(1,388)

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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	-	-
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	-	-
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	-	-

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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	5,158	5,158
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,388)	(1,388)
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)	-	-
4.5	Effect of movement in exchange rates on cash held	(117)	(117)
4.6	Cash and cash equivalents at end of period	3,653	3,653

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	3,653	5,158
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)	3,653	5,158

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

Current quarter \$A'000
121
-

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

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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

Current quarter
\$A'000

-

-

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

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)

Total facility amount at
quarter end
\$A'000Amount drawn at
quarter end
\$A'000

-

-

-

-

-

-

- 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.

9. Estimated cash outflows for next quarter

\$A'000

9.1	Exploration and evaluation	180
9.2	Development	-
9.3	Production	100
9.4	Staff costs	230
9.5	Administration and corporate costs	400
9.6	Other (provide details if material) Redundancy Payments	300
9.7	Total estimated cash outflows	1,210

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:



CFO & Company Secretary

Date: 24 October 2016

Print name: Mark Bolton

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