

HIGHLIGHTS

CAMBAY FIELD, ONSHORE GUJARAT, INDIA

- » Oilex has participated in a formal tender process submitting a conditional offer for an additional 55% interest in the Cambay PSC (Cambay). The offer was in response to a competitive bid process initiated by Gujarat State Petroleum Corporation Limited (GSPC).
- » Oilex is proposing a revised work programme taking advantage of a lower cost opportunity to analyse core data from existing well C-23z.
- » Application has been made with the government to recommence production from C-73 and C-77H
- » Two workovers are planned for the first half 2017.
- » Planning continues for the drilling of a new vertical well.
- » During the quarter, the Joint Venture partner released equivalent \$37,350 against outstanding cash calls.

BHANDUT FIELD, ONSHORE GUJARAT, INDIA

- » Following technical and economic reassessment, Bhandut-3 was shut-in from 6 October 2016 due to increased water production.
- » Production for the 5 days averaged 193.5 mscfd, or 33.4 boepd (Oilex net 87.1 mscfd, or 15.0 boepd).
- » During the quarter, the Joint Venture partner released equivalent \$58,750 against outstanding cash calls.
- » Application for three-year extension of Petroleum Mining Lease was approved.
- » Potential opportunities for sale of the PSC are being explored.

CORPORATE

- » As part of a cost reduction initiative, the Indian office completed a move to lower cost premises.
- » Significant redundancies and reductions in remuneration were undertaken throughout the Company.
- » The Company has settled its insurance claim, receiving \$693,400 in January 2017 in respect of the costs associated with the Zeta Resources Limited litigation.
- » Shareholders approved the adoption of an updated Constitution at the AGM.
- » Cash resources at 31 December 2016 were \$1.89 million.

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OVERVIEW

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

To that end, Oilex continues to evaluate and implement a range of technical programme options to progress the main objective of accessing a multi-TCF gas resource present in siltstones in the EP-IV reservoir. 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 now work is underway to optimise results for future work programmes. The current technical work programmes focus on:

- Using core data to extract geological and engineering information needed to match advanced North American technologies with the local basin geology of the EP-IV, and
- Two planned workovers of existing wells to ascertain production rates from the shallower OS-II reservoir in unswept areas in a parallel effort to develop the block at multiple levels.

If successful, this work should assist in finalising an application for extension to the Cambay PSC required to be submitted to the Government of India by September 2017.

During the quarter the Indian project office completed a move to lower cost premises as part of the Company's cost reduction initiatives.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT

No lost time incidents recorded during the quarter.

CAMBAY FIELD, GUJARAT, INDIA

(Oilex: Operator and 45% interest)

Oilex participated in a formal tender process initiated by Gujarat State Petroleum Corporation Limited (GSPC), its Joint Venture partner, by submitting a conditional offer for a possible additional 55% interest in the Cambay PSC (Cambay). Oilex submitted the offer in response to a competitive bidding process initiated by GSPC for the possible disposal of its interest in Cambay. If successful in the tender process, Oilex may possibly increase its current 45% interest up to 100% of Cambay.

In addition to GSPC's agreement to any potential sale, Indian regulatory approvals will be required to effect the sale/transfer of GSPC's interest in Cambay. Oilex is the Operator and holds a pre-emptive right in respect of the possible sale of GSPC's interest in Cambay to a third party.

Reflecting the prospect of a new joint venture partner capable of funding its share of the Cambay Joint Venture, the Company has adjusted the short term work plan to progress the tight gas EP-IV project. Under a proposed revised study, Oilex will take advantage of a lower cost approach to access core samples required for EP-IV analysis. Oilex has secured suitable existing core material from Cambay-23z drilled in 2008. Previously this core was not regarded as representative of the EP-IV reservoir over the PSC as it contained a seven metre thick section of carbonaceous shale which was deposited in a restricted channel. The thin carbonaceous zone affected the seismic response and led to the conclusion that the core was not representative of the wider area. Following advice from expert consultants, the core is considered suitable for geomechanical, fluid matching and proppant embedment studies which are required for future optimising of drilling and stimulation design. As a consequence, the Company will initiate studies on Cambay-23z core prior to drilling a new well. In parallel, planning and procurement for a new well is continuing.

Planning has been completed for the workover of two existing wells to be carried out in the first half of 2017. The workovers are designed to test production flow rate potential from the OS-II reservoir in areas that remain unswept by earlier production. While the expectations are for modest flow rates, a successful outcome may support the application to extend the term of the PSC. The application must be submitted by September 2017.

The current PSC term expires on 23 September 2019. The Government of India 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.

Approval from the regulator is being sought to continue to bring previous producing wells C-73 and C-77H back on line. Production was terminated in mid-2016 as the government approved period for test production had expired.

At the end of the quarter, total unpaid cash calls by GSPC were approximately US\$6.7 million. During the quarter Oilex received gross US\$27,025 from GSPC against outstanding cash calls for Cambay.

During the quarter the JV partner approved the Work Programme & Budget (WP&B) for the Cambay Field for FY 2016-17. The WP&B for FY 2017-18 has been tabled and is awaiting Joint Venture and regulatory approval.

Joint Venture Management

As at 31 December 2016, gross unpaid cash calls issued to GSPC and going back several years totalled approximately US\$6.7 million. Oilex continues to engage with its Joint Venture partner to resolve the unpaid cash calls. Oilex as Operator, continues to bear the ongoing costs of the Joint Venture and has managed payment of the Cambay Joint Venture creditors.

BHANDUT FIELD, GUJARAT, INDIA

(Oilex: Operator and 40% interest)

Production from the Bhandut Field ceased on October 6, 2016. The well experienced increasing water cut, and following a review of the ongoing technical and economic parameters it was decided to shut in the well prior to it becoming non-commercial. Production for the five days in October averaged 193.5 mscfd, or 33.4 boepd (Oilex net 87.1 mscfd, or 15.0 boepd).

Oilex is Operator and 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.

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

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 currently under application with the Department of Mines and Petroleum (DMP). They are frontier exploration blocks that represent a potential low cost entry to an underexplored area. Oilex continues to investigate low cost exploration techniques, de-risking tools and approaches that address the geological uncertainties in this basin and potentially provide an alternative lower cost work programme to the currently offered levels which were determined in a higher oil price environment.

Final award of the blocks requires signing of Heritage Agreements with the Nyangumarta and Njamal People and is linked to a request to the 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 final acceptance. Oilex can review its interest in pursuing these applications at any time.

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 the ANPM sought to impose a penalty of approximately US\$17 million upon the Joint Venture. 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 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 and is the Operator.

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 Indonesian Operator, however, Oilex continues to pursue enforcement of the Arbitration Award and a commercial settlement.

At the end of 2016 the Indonesian Operator applied in the Indonesian courts for a debt payment obligation suspension. This was denied and the operating company, PT Sumatera Persada Energi was declared bankrupt. A creditors meeting was held in January 2017. Oilex has instructed its Indonesian based lawyers to submit a revised claim in the courts covering refund of monies provided by Oilex to the Operator, accrued interest, arbitration and legal costs and loss of profits. Oilex is also seeking confirmation from the Indonesian Government regulator that Oilex still retains its original 45% participating interest in the PSC.

CORPORATE

At the end of the quarter Oilex retained cash resources of \$1.886 million.

Litigation Insurance Claim

During the December Quarter, the Company settled its claim with the Company's insurers to recover part of the costs associated with the Zeta Litigation. Proceeds from the settlement are to be applied to reduce creditors associated with the litigation.

Cost Reduction Initiatives

Late in September 2016 quarter, the Company announced the implementation of additional material cost reduction initiatives reflecting the proposed activity level for 2017 and the requirement to direct cash resources to the planned activity programme at Cambay.

The cost reductions, undertaken in both Perth and India, included a 30% overall reduction in the number of personnel and a 14% average reduction in salaries and wages for existing personnel.

During the December 2016 quarter, the Company incurred \$464,000 in one off redundancy and entitlement costs related to the cost reduction initiative.

Updated Constitution

At the 23 November 2016 Annual General Meeting, shareholders approved the adoption of an updated Constitution.

Capital Structure as at 31 December 2016

Ordinary Shares	1,193,414,012
Unlisted Options	10,250,000
Unlisted Retention Rights	2,000,000

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

AIM Nomad & Broker

Strand Hanson Limited

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

**PERMIT
SCHEDULE**

PERMIT SCHEDULE - 31 DECEMBER 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 ⁽²⁾	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 ⁽³⁾	100.0	Admiral Oil Pty Ltd ⁽³⁾
STP-EPA-0106	Western Australia	Admiral Oil and Gas (106) Pty Ltd ⁽³⁾	100.0 ⁽⁴⁾	Admiral Oil and Gas (106) Pty Ltd ⁽³⁾
STP-EPA-0107	Western Australia	Admiral Oil and Gas (107) Pty Ltd ⁽³⁾	100.0 ⁽⁴⁾	Admiral Oil and Gas (107) Pty Ltd ⁽³⁾

⁽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 pursue this assignment.

⁽²⁾ PSC terminated 15 July 2015

⁽³⁾ Ultimate parent entity is Oilex Ltd.

⁽⁴⁾ 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)

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	19	90
1.2 Payments for		
(a) exploration & evaluation	(273)	(572)
(b) development	-	(2)
(c) production	(108)	(289)
(d) staff costs	(301)	(655)
(e) administration and corporate costs	(498)	(869)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	10
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	(199)	(452)
Redundancy and entitlement costs	(464)	(464)
1.9 Net cash from / (used in) operating activities	(1,815)	(3,203)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(18)	(18)
(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	(18)	(18)

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 (6 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	3,653	5,158
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,815)	(3,203)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	(18)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	66	(51)
4.6	Cash and cash equivalents at end of period	1,886	1,886

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	1,886	3,653
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)	1,886	3,653

6. Payments to directors of the entity and their associates

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

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

		Current quarter \$A'000
		98
		-

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

Current quarter \$A'000
-
-

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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'000	Amount 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.

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	200
9.2 Development	-
9.3 Production	100
9.4 Staff costs	350
9.5 Administration and corporate costs	320
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	970

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: 30 January 2017

CFO & Company Secretary

Print name:

Mark Bolton

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