

ASX Announcement

3 August 2015

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Update on Underwritten Rights Issue

Oilex Ltd (Oilex or the Company) is pleased to provide an update on the result of the previously announced Underwritten Rights Issue, and announces changes to the second tranche of the previously announced Placing.

As announced on 31 July 2015, 16,235,098 Rights Issue Shares have been taken up by shareholders, resulting in a shortfall in the Rights Issue of 153,241,412 shares. Under the terms of the underwriting agreement in respect of the Rights Issue, and as disclosed in the Company's announcement of 17 July 2015 (paragraph 5.7 of the Offer Booklet), as the share price of Oilex has, during the offer period, fallen below the A\$0.041 Rights Issue offer price, a potential termination event has been triggered whereby the underwriter has the right to terminate the underwriting agreement.

In light of this development, the Company has taken steps to seek alternative participants for part of the Rights Issue shortfall. Accordingly, Zeta Resources Ltd (Zeta) has agreed to take up 62,011,067 shares by way of placement out of the Rights Issue shortfall at the Offer Price of A\$0.041, for a total consideration of approximately A\$2.55 million (£1.24 million, US\$1.95 million) and will receive a fee of 6% that would otherwise have been paid to the underwriter. On this basis, the underwriter has agreed not to invoke its termination right under the underwriting agreement, and the underwriter (or its nominees) will take up the remaining Rights Issue shortfall.

As announced on 7 and 8 July 2015, Zeta's participation in the second tranche of the Placing will be settled in 2 tranches. As a result of Zeta's take up of Rights Issue shortfall shares as outlined above, and in order that it and its associates do not breach relevant Australian takeovers laws (under which, broadly, a person may not acquire shares if that would cause their and their associates' voting power to exceed 20%), Zeta has agreed that its second tranche investment will now proceed as follows (subject to approval of the resolutions proposed at the Company's General Meeting convened for 12 August 2015):

- 50,000,000 new ordinary shares will be placed with Zeta at a price of A\$0.041 (2 pence) per share, to be settled immediately following the General Meeting;
- a further 124,019,608 (previously 225,490,196) new ordinary shares will be placed with Zeta at a price of A\$0.0418 (2.04 pence) per share, to be settled by no later than 12 November 2015. These shares will be issued out of the authorisation to be sought at the General Meeting (covering 225,490,196 shares); and
- in lieu of the remaining shares originally envisaged to be issued to Zeta, (being 101,470,588 shares) the Company will issue A\$4,243,500 (approximately £2.07 million) of 20 year, zero coupon unsecured convertible loan notes to Zeta, which will be convertible into shares at Zeta's option at any time, subject to compliance with Australian law, at a conversion price of A\$0.0418 per share. The issue of these convertible notes will occur contemporaneously with the issue to Zeta of the 124,019,608 new ordinary shares referred to above. These convertible notes will be issued pursuant to the Company's placement capacity under Listing Rule 7.1 (as refreshed at the General Meeting). To the extent that the convertible notes are not converted, they will be redeemable on 30 June 2035 or such later date as agreed with Zeta. The Zeta Convertible Notes will have the right to participate in rights issues and other pro-rata issues on an "as converted" basis, subject to compliance with law.

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Upon completion of the Rights Issue and Tranche 2 placing, Zeta and associates will hold approximately 275 million ordinary shares, representing approximately 19.6% of the Company's enlarged share capital (on an undiluted basis). Zeta will also hold A\$4,243,500 of unsecured convertible notes, convertible into 101,470,588 ordinary shares.

The remaining portion of the second tranche of the Placing will proceed as previously announced and the Placing timetable remains unchanged. Given their relevance to the matters to be considered at the General Meeting, shareholders will be notified of the above changes by letter in the coming days.

Managing Director of Oilex, Ron Miller, said;

"The financial support by Zeta not only in the second tranche, but now the Rights Issue shortfall is very pleasing and demonstrates their commitment to Oilex's business plan. This plan is focussed on production and cashflow from the recently independently assessed Reserves at our Cambay Field in India. We are delighted that the Rights Issue will successfully complete, leading to a General Meeting on 12 August 2015 where shareholders will have the opportunity to approve the second tranche of the Placing."

Yours faithfully,



Ron Miller
Managing Director

For further information, please contact the company or its advisors listed below:

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