

ASX Announcement

23 November 2016

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Chairman's Address to Shareholders

Dear Shareholder

As you know, the 2016 financial year has been an extremely challenging year for Oilex and its shareholders, resulting in a loss before income tax of \$36 million, primarily affected by non-cash impairment of exploration and development assets of \$21.6 million, and reduced recovery of costs from Joint Ventures and costs associated with the Zeta Resources Limited litigation. Against a back drop of a fifteen-year low in oil prices, the Company has had to divert much of its attention from the core business of developing value from its assets to addressing significant joint venture issues in India, costly litigation associated with its last capital raising, and resetting the technical direction at Cambay, in association with lower than expected production rates at its most recent wells and delays associated with joint venture funding contribution to ongoing project activities.

Despite these hurdles, the Company continues to be confident in, and committed to unlocking, the multi TCF in-place tight gas potential in its onshore Cambay Block, Gujarat State in India. To this end, a new vertical well is planned which is essential to determining the optimal formula to underpin any long term commercial development of the substantial undeveloped gas opportunity at Cambay. The next phase of the work programme is designed to address the identified technical and operational risks and is aimed at regaining the momentum behind the Company's core unconventional gas project at Cambay. Planning and preparation continues for the drilling of the Cambay-78 vertical well scheduled for the first half of next year, with the dual objective of developing the undepleted OS-II sand and to obtain core samples from the EP-IV Zone reservoir for drilling and stimulation studies, in addition agreement has been reached with our JV Partner GSFC for Oilex to drill Cambay-78 on a sole fund/sole reward basis.

The growth in energy demand in India underpins a strong business case for the Joint Venture partners to the Cambay PSC. India is home to 18% of the world's population yet uses only 6% of the world's primary energy. This is despite its energy consumption having almost doubled since 2000. Domestic gas production continues to decline with the growing imbalance being filled by the rapid expansion of LNG imports.

Oilex believes that India has large undeveloped unconventional potential. Limited exploitation, to date, provides a significant opportunity for the discovery and commercial development of these hydrocarbon resources. Oilex has ten years' operating experience in India with a strong local team. Under the revamped leadership team, the Company is focussed on leveraging this opportunity for the benefit of our stakeholders and partners.

Reflecting the changes in the industry environment and the project status, your Board has made the necessary changes to reposition Oilex for a strong future. Besides significantly reducing expenditures, the Company has also restructured its board and senior executive management team during the year.

The Company is actively engaged in resolving issues associated with the Cambay joint venture funding requirements and the ongoing funding and ownership structure, which has necessitated that as Operator the Company has absorbed certain costs to maintain the viability of this joint venture, while developing an ongoing strategy to resolve these issues. While planning for the C-78 well is underway, the Company continues to actively evaluate alternative approaches and cost structures to advance the project.

t +61 (8) 9485 3200

e oilex@oilex.com.au

ABN 50 078 652 632

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Oilex is also reviewing opportunities in addition to rationalising its exposure to existing projects.

On behalf of the Board I wish to record our appreciation for the support of our executive management and staff, Joint Venture partners, contractors, local communities, shareholders and stakeholders during a difficult year and look forward to unlocking the key to the sustainable commercialisation of the unconventional hydrocarbon resources within the Cambay project. In particular, we are appreciative of the support of our major shareholders who have elected to be generally supportive of the resolutions tabled at this AGM.

We look forward to improving our performance and a better year ahead.

Best Regards

Max Cozijn
Chairman

For further information, please contact:

Investor Enquiries Oilex Ltd Joe Salomon Managing Director Email: oilex@oilex.com.au Tel: +61 8 9485 3200 Australia	Nominated Adviser Strand Hanson Limited Nominated Adviser Rory Murphy/Ritchie Balmer Email: oilex@strandhanson.co.uk Tel: +44 20 7409 3494 UK	Media Enquires (UK) Vigo Communications Public Relations Patrick d'Ancona/Chris McMahon Email: patrick.dancona@vigocomms.com chris.mcmahon@vigocomms.com Tel: +44 20 7830 9700	Media Enquiries (Aus) Citadel-MAGNUS Michael Weir Email: mweir@citadelmagnus.com Tel: +618 6160 4900 Australia
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