

17 October 2018

ASX: OEX

AIM: OEX

JPDA – Request for Arbitration

Oilex Ltd (the Company) has received correspondence from the Autoridade Nacional Do Petroleo E Minerais (**ANPM**), the body responsible of managing and regulating petroleum and mining activities in the Timor-Leste area, advising that it has submitted a Request for Arbitration (**RFA**) to the International Chamber of Commerce in Singapore. The RFA relates to matters associated with the termination of the JPDA 06 103 Production Sharing Contract (**PSC**).

By way of background, in November 2006 Oilex Ltd, via its wholly owned subsidiary Oilex (JPDA 06-103) Ltd (**Oilex**) and its Joint Venture partners entered into the PSC with the Timor Sea Designated Authority. The PSC was signed in January 2007 (effective date 15 January 2007) and Oilex was appointed Operator.

On 12 July 2013, the Operator, on behalf of the Joint Venture, submitted to the ANPM a Request to Terminate the PSC by Mutual Agreement in accordance with the PSC terms and without Penalty or Claim (**Request**). The Request was issued as a result of ongoing uncertainty as to security of PSC tenure which arose as a result of a maritime boundary dispute between the Governments of Timor Leste and Australia.

On 15 May 2015, the ANPM issued a Notice of Intention to Terminate the PSC and on 15 July 2015 issued a Notice of Termination and Demand for Payment (**Notice**). The demand for payment (100%) of the penalty claim of US\$17,018,790 (plus interest) is the ANPM's estimate of the cost of exploration activities not undertaken in 2013, as well as certain local content obligations set out in the PSC.

In addition to other matters, the Joint Venture considers it has made significant over expenditure in executing the PSC work programme and that the ANPM has failed to properly assess and award credit for such additional expenditure when terminating the PSC. Notwithstanding the Joint Venture considers that no penalty payment is applicable, the parties have entered into good faith negotiations and made a number of unsuccessful offers to settle the matter in dispute.

The Company has already recorded a provision of US\$600,000 in its financial statements, being the Group's 10% share of a proposed settlement offer which was made to the ANPM. The provision and or settlement has been and remains subject to review from time to time.

The obligations and liabilities of the Joint Venture participants under the PSC are joint and several and all participants have provided parent company guarantees. The equity interest of the Joint Venture participants are:

Oilex (JPDA 06-103) Ltd (Operator)	10%
Pan Pacific Petroleum (JPDA 06-103) Pty Ltd	15%
Japan Energy E&P JPDA Pty Ltd	15%
GSPC (JPDA) Limited	20%
Videocon JPDA 06-103 Limited *	20%
Bharat PetroResources JPDA Ltd	20%
Total	<u>100%</u>

* The Company understands that the parent company Videocon Industries Ltd is subject to corporate insolvency proceedings and continues to trade under the supervision of an insolvency professional. The Joint Venture has requested but is yet to receive formal documentation and or clarification as to the position of Videocon JPDA 06-103 Limited.

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The company is yet to receive formal notice whereupon the timing for the proceedings will be determined. In any event, a decision from the arbitrator is not expected until 2020.

Commenting on the RFA, Managing Director Mr Joe Salomon said that "it is disappointing the ANPM has elected to pursue arbitration at this point. The Joint Venture had previously and will continue to negotiate in good faith, with previous offers to settle the matter being generous."

For and on behalf of Oilex Ltd



Joe Salomon
Managing Director

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