

ASX Announcement

31 March 2019

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Update on Cambay Joint Venture

Further to previous announcements, Oilex confirms that it is continuing to pursue resolution of its dispute with Gujarat State Petroleum Corporation (GSPC). The resolution of dispute is essential to potential development of Cambay and the recovery of the funds owed by GSPC for the joint venture activity at Cambay.

On 29 November 2018, the Company announced that it was in discussions with GSPC and the Government of India (GoI) to seek a commercial resolution to avoid arbitration and if possible, allow a drilling programme at Cambay to proceed. During the subsequent period, the Company has actively engaged with key stakeholders, including GSPC, with a view to resolving the dispute incorporating a clear path forward for the potential development of Cambay.

Oilex has worked tirelessly in seeking a resolution and in recent months has submitted several proposals to GSPC for consideration, with the most recent draft proposal tabled on 20 March 2019. This is currently under active consideration by GSPC.

The negotiations have been challenging given the commercial drivers for all parties and the regulatory and administrative imposts, including GSPC's internal financial constraints, and, at this time, a conclusion has not been reached, although discussions continue.

Parallel to the discussions referenced above, Oilex and GSPC have been working to resolve unpaid past cash calls. In the event that an agreement on the current proposal cannot be achieved in the very near future, including the unpaid cash calls, the Company intends to fully enforce its rights under the Cambay Joint Operating Agreement (JOA).

The Directorate General of Hydrocarbons (DGH) and Ministry of Petroleum and Natural Gas (MoPNG) are actively monitoring the progress of the Event of Default (EoD) dispute and are supportive of the present negotiations. Furthermore, GSPC is reportedly under pressure to meet obligations in several of its joint ventures.

Commencement of GSPC Sale Process

More recently, it is Oilex's understanding that the State Government of Gujarat and the GSPC board of directors' have approved a sales process for a number of its local Indian joint venture participating interests. At present, Cambay is not formally part of this sale process, however, GSPC have indicated their willingness to divest their interest. Pursuant to the Cambay and Bhandut JOAs, Oilex holds pre-emptive rights to acquire GSPC's interests in both assets.

Background

By way of background, on 29 May 2018, the Company issued an EoD Notice to GSPC in accordance with the JOA for the equivalent amount of US\$3,054,832. The EoD Notice was issued as a result of GSPC's ongoing failure to pay its participating interest (PI) share of Cambay PSC expenses. GSPC failed to remedy its default within 60 days and, in accordance with the JOA, Oilex formally requested the DGH and the MoPNG in India to transfer GSPC's PI in the Cambay PSC to the Company. This was announced by Oilex on 30 July 2018.

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On 13 August 2018, GSPC served an ex-parte interim stay order (IAAP No. 130 of 2018) from the High Court of Gujarat (Court) directing the Company not to take any coercive steps against GSPC (Order) with regard to the EoD Notice. As disclosed in the announcement of 13 August 2018, the Order was awarded on an interim basis to delay the transfer of GSPC's PI in the Cambay PSC to Oilex.

Following various hearings in the Court, on 5 November 2018, the Company announced that that the Court had decided on all applications pending regarding the Order obtained by GSPC. The Court issued and passed judgement further delaying the implementation of the EoD Notice and Notice of Withdrawal of Participating Interest dated 29 July 2018, subject to certain conditions. The conditions were subsequently attained by GSPC, including the requirement to commence arbitration proceedings. It is important to note that in practice, the transfer of the PI is currently subject to vacation of the Order.

As required by the order of the Court on 19 November 2018, GSPC had invoked the dispute resolution provisions of the JOA and commenced arbitration proceedings through the Singapore International Arbitration Centre (SIAC). The arbitration proceedings have been temporarily deferred while dispute resolution with GSPC has been ongoing.

The Order also requires that GSPC performs its duties and obligations under the JOA and Oilex continues to work to ensure that this occurs. In the case that it does not, Oilex will vigorously pursue its legal rights.

For and on behalf of Oilex Ltd



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