

Technical Background

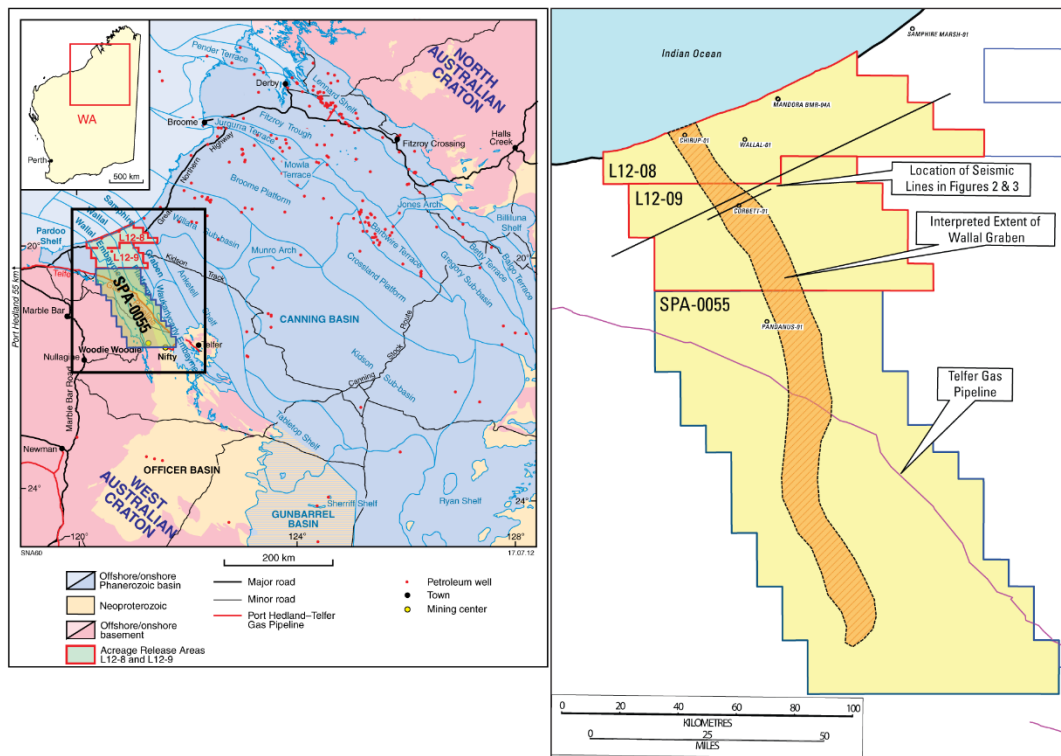


Figure 1a and b: Location Map – Canning Basin, Oilex's recently awarded SPA-0055 area and adjacent L12-08 and L12-09 gazetted blocks. The interpreted extent of the Wallal Graben is also highlighted.

A review of prospective onshore basins in Australia resulted in the identification of a deep, undrilled half graben (Wallal Graben) in the southwest Canning Basin.

Only low resolution gravity/magnetic data and sparse vintage 2D seismic data of variable quality have been acquired over this area. No wells have been drilled sufficiently deep to penetrate the graben-fill. Comparing interpretations of the different geophysical surveys revealed possible discrepancies. Whilst the gravity/magnetic data interpretation defined a relatively shallow graben feature, the 2D seismic data and subsequent depth conversion facilitated the interpretation of an extensive half graben up to 5.5km deep, which is viewed positively for the generation of hydrocarbons.

The nearby Samphire Graben is well imaged on both gravity/magnetic and 2D seismic data resulting in it being clearly defined on published structural maps of this area. A regional 2D seismic line acquired in 1985 ties both the Wallal and Samphire Grabens (Figure 2). This line clearly shows the lateral extent of the two depocenters with the Wallal Graben being narrower but deeper than the Samphire Graben. However, this is not reflected on public domain structural maps.

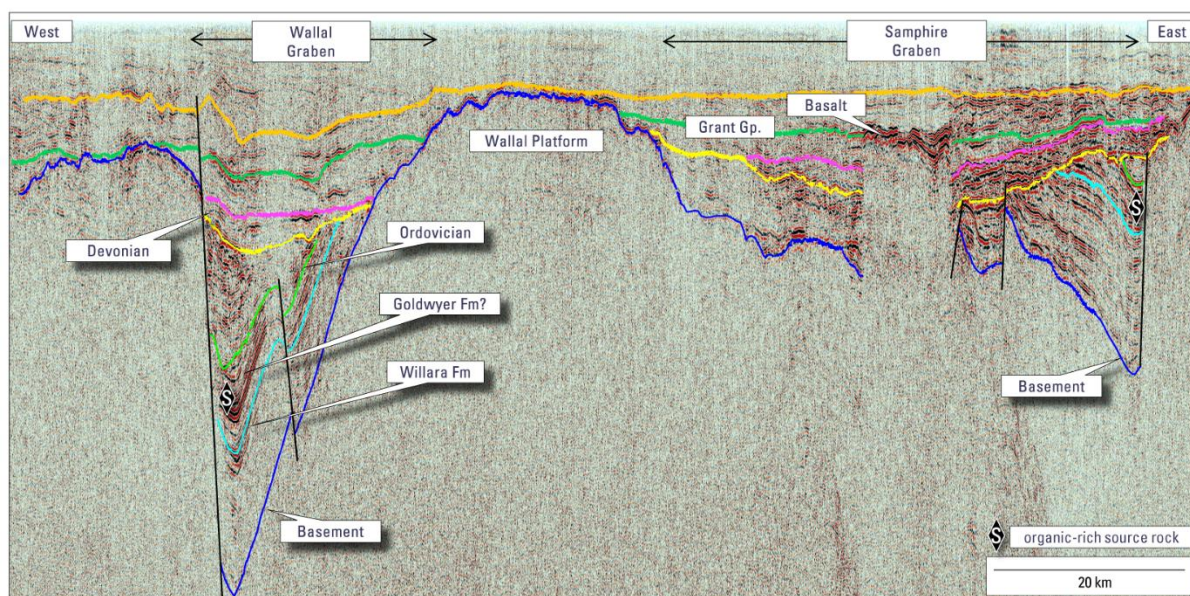


Figure 2 - Interpreted 2D seismic line tying the Wallal Graben to the Samphire Graben – note the extensive thickness and near complete section of the sedimentary fill in the Wallal Graben.

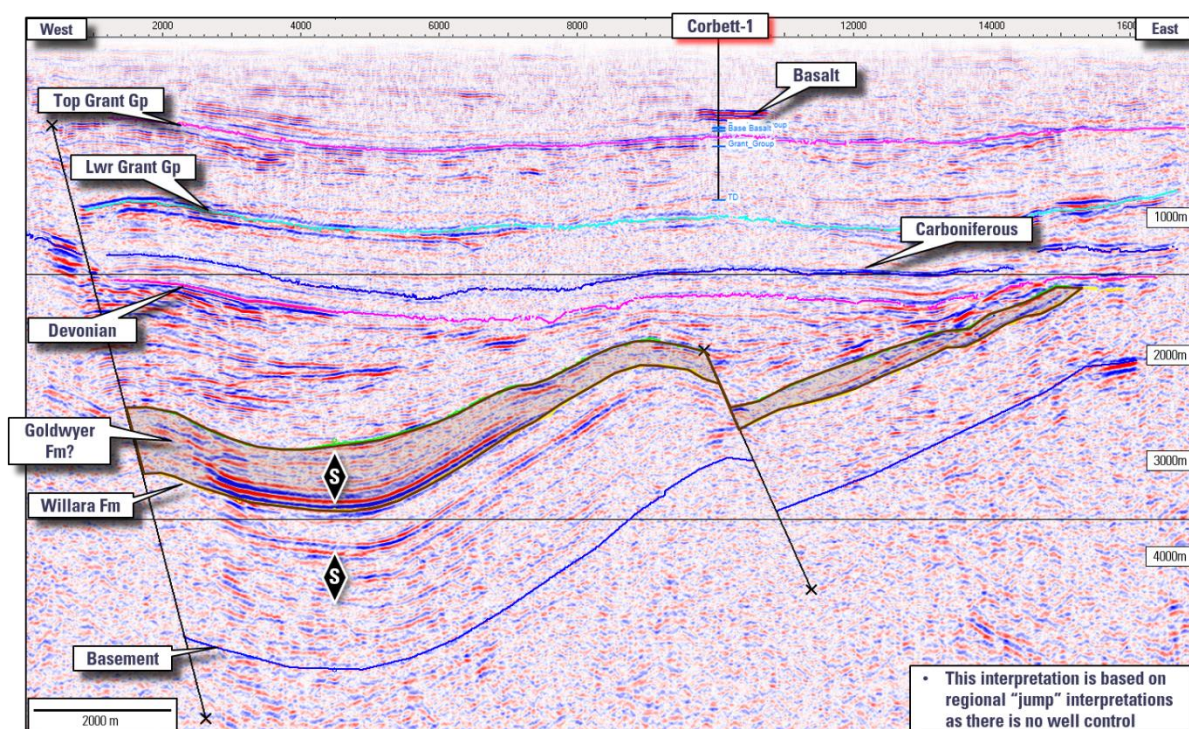


Figure 3: Interpreted 2D seismic line within L12-09 displaying conventional and unconventional plays.

Extensional tectonics in the Ordovician initiated the growth of a major rotational fault that forms the south-west margin of the Wallal Graben with down to northeast rotation. 2D seismic data interpretation clearly defines a prospective “mid-basin ridge” structure that consists of a tilted fault block from Basement to late Ordovician levels and associated anticlinal drape of the overlying Devonian and Permian sediments (Figure 3).

The Goldwyer Formation, a well acknowledged unconventional play, is interpreted to exist which is a focus object for Oilex. Significant, high value farmin activity by industry majors targeting the Goldwyer Formation has occurred and the Wallal Graben may be a relative sweetspot for these organic-rich source rocks due to the geological history of this area of the Canning Basin. Also numerous conventional plays may also exist within the Wallal Graben enhancing the attractiveness of the acreage.

Due to the confined nature of the depositional environment, it is postulated that the source rocks within the Wallal Graben may be richer than those deposited in the other areas of the Canning Basin where increased oceanic circulation and less anoxic conditions prevailed.

Based upon the sparse information the Goldwyer Formation is interpreted to be favourably located in the oil/condensate maturity window and within normal drilling depths (2000-3000m). Horizontal wells with multi-stage fracture stimulation programs may enable the economic extraction of hydrocarbons from this interval. Oilex has significant experience in unconventional plays as this is the main focus of Oilex’s flagship project in Cambay, India. Oilex’s extensive database of analogous North American resource plays will facilitate the understanding of the plays present in the Wallal Graben.

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