

02 June 2014

Company Announcements Office
ASX Limited
4th Floor
20 Bridge Street
Sydney NSW 2000

Canning Basin – Prospectivity and Interpretation Update

- CGG has completed preliminary interpretation of recent 4,060 line km gravity gradiometry/magnetic survey data
- Structural model of the Wallal Graben extension into adjacent Oilex acreage confirmed
- Seismic interpretation in Oilex (100%) permits highlights key elements of structure, thick sedimentary section and appropriate depth of burial for a valid petroleum generating system

Oilex Ltd (ASX: OEX, AIM: OEX) is pleased to announce confirmation of the postulated extension of the rift basin, known as the Wallal Graben, into Oilex's SPA 17 AO acreage. This confirmation is an outcome of interpreting the recently acquired gravity gradiometry/magnetic survey (Survey) data. CGG Aviation (Australia) Pty Ltd (CGG) has provided a preliminary interpretation of the aerial Survey data within SPA 17 AO (formerly STP-SPA-0055) covering approximately 11,400 km² (~2.8 million acres).

The interpretation integrates regional gravity, magnetic, 2D seismic, regional surface geological and well data in adjacent areas with the newly acquired Survey data. Preliminary interpretation confirms Oilex's structural model that the Wallal Graben, which is clearly imaged by 2D seismic data in Oilex's adjacent permits, extends into SPA 17 AO. The Wallal Graben appears to contain the important elements of a working petroleum system including source rocks, structure, thick sedimentary section and sufficient depth of burial to generate hydrocarbons. The graben is now shown to be present in exploration areas encompassing approximately 17,900 km² (~4.4 million acres) held 100% by Oilex (Figure 1).

History

The onshore portion of the Wallal Graben had been interpreted in the past to be confined to an area from the coast to approximately 50 km inland and now covered by STP-EPA-0106 and STP-EPA-0107 permits, both 100% Oilex. Through its regional work, Oilex identified the possibility that the Wallal Graben may extend further to the south into open acreage. Oilex successfully applied to the Western Australia Department of Mines and Petroleum (DMP) for a Special Prospecting Authority (SPA) over the subject area by committing to conduct the Survey. Under the terms of the SPA, Oilex has exclusive rights to negotiate a formal exploration permit with the Government of Western Australia upon satisfying the work commitment including this Survey and the interpretation of the data.

Analogues

Proven global basin analogues having significant discoveries of oil and gas are relevant to Oilex's interpretation of the Wallal Graben and its prospectivity. Onshore India, the Barmer Basin, its southern extension the Cambay Basin, where Oilex is actively drilling, and the East African Rift System are considered to be good analogues to the Wallal Graben rift system. These analogues have numerous successful play-types.

Cairn India had major world class discoveries the Barmer Basin rift system in Rajasthan, India and is now producing ~ 200,000 bbls of oil per day from many fields. Tullow Oil is achieving significant exploration success in East Africa with a number of large oil discoveries in the onshore Lokichar Basin in the East African Rift System, Kenya. Tullow has recently announced oil discoveries of more than 600 MMbbls after drilling 7 wells. Although these Basins contain significantly younger sediments than the Wallal Graben, the structural style and identified play-types appear to have many similarities to those identified in the Oilex acreage (Figure 2). Elsewhere the Canning Basin has a proven hydrocarbon system adjacent to the Wallal Graben.

Tullow conducted the world's largest (at the time) airborne full tensor gravity/magnetic survey to identify the Lokichar Basin. A similar exploration approach was employed by Oilex to understand the potential of the Wallal Graben. Given the results, it is planned to continue its use in Oilex's other Canning Basin permits.

Forward Plan for SPA 017 AO

Oilex will proceed to finalise the Survey and Interpretation report for submission to the DMP and commence negotiations to convert the prospective areas of SPA 017 AO into a formal exploration permit.

STP-EPA-0106 and 0107 Play-types and Leads

Concurrent with the Survey data acquisition and interpretation, Oilex has completed an initial interpretation of the available 2D seismic data in STP-EPA-0106 and STP-EPA-0107 and compiled an extensive well log dataset for the greater Canning Basin. This effort has identified a range of large structural and stratigraphic leads. These play-types are expected to continue into SPA 17 AO. Some examples of conventional plays of probable Ordovician and Devonian age include:

Rift-Bounding Fault Fan Systems

A number of features with the geometry of well-defined fan systems are interpreted along the down-thrown side of the main rift-bounding fault. Basal incision, differential compaction and internal channelling are interpreted from the seismic data indicating favourable reservoir facies may be present. The seismic character indicates interbedded units of contrasting density and sediment thickness is interpreted to be approximately 400m thick in some locations with the fans having an areal extent up to 75 km² in some cases (Figure 3). A combination of structural rollover into the main fault and lateral facies variations indicate a viable trapping mechanism and are analogous to the successful primary play-type in the East African Rift. The fans appear to be stacked vertically or overlapping and multiple fan systems could be intersected by a single vertical well (Figure 4).

Channel Systems

Two north-west/south-east trending elongate features have been identified on the 2D seismic data and are interpreted to be basin axis channel sequences. The seismic character suggests an interbedded section of a nature similar to sands being redistributed along the basin axis at the toe of the fan. Erosional incision and depositional fill can be interpreted across the entire seismic grid and these systems are interpreted to extend beyond the area of the current seismic control.

Mid Graben Ridge

A large tilted fault-block extending for 25 km extends along the central graben area on the passive side of the graben resulting in a structural trend with considerable vertical relief. Structural closure occurs at multiple levels and the potential for the development of possible younger reef systems along the crest of the trend may contribute to its prospectivity (Figure 5).

Wallal Graben Rift System - Unconventional plays

The Wallal Graben appears to have significant unconventional play-types consistent with those identified elsewhere in the Canning Basin. Amongst these play-types Oilex has identified large areas of what is thought to be the prospective Bongabinni and Goldwyer Formations which are proven source rocks in the Canning Basin and are the target of significant exploration as unconventional reservoirs. The interpreted volume of source rock is substantial and the burial depth is such that it may be presently generative for oil and liquids rich gas.

Infrastructure

Oilex's Wallal Graben acreage is in a unique position in the Canning Basin as it is close to many world class mining projects in the Pilbara area. This activity has led to the development of a significant amount of infrastructure in the area with the Great Northern Highway, numerous sealed roads, good quality graded roads and multiple airstrips being present within the Oilex acreage. The Telfer Gas pipeline traverses the SPA 17 AO acreage and any future pipelines from the Canning Basin to the main export terminals at Port Hedland and Karratha would have to pass through the acreage (Figure 6).

Managing Director of Oilex, Ron Miller, said;

“The Oilex team is highly excited that our work has identified a previously undiscovered half-graben extension in Western Australia. Our early-mover strategy has resulted in Oilex having exclusive rights over approximately 4.4 million acres covering this potentially prospective area.

Onshore Australia is currently a global focus for high value farm-in deals and this significant increase of the prospective area coupled with the identification of leads from existing 2D seismic within our 100%-owned acreage substantially enhances the value of these assets. Oilex will continue to work closely and respectfully with the Traditional Owners and maintain a rigorous approach to exploration of this area to realise its full potential.”

For and on behalf of Oilex Ltd



Ron Miller
Managing Director

For further information, please contact:

Oilex Ltd

Ron Miller, Managing Director
Email: oilex@oilex.com.au
Tel: +61 8 9485 3200
Australia

RFC Ambrian Limited

Nominated Adviser and AIM Broker
Samantha Harrison
Email: samatha.harrison@rfcambrian.com
Tel: +44 203 440 6800
UK

Tavistock Communications

Conrad Harrington
Email: charrington@tavistock.co.uk
Tel: +44 207 920 3150
UK

Qualified Petroleum Reserves and Resources Evaluator statement

Pursuant to the requirements of Chapter 5 of the ASX Listing Rules, the information in this report relating to petroleum reserves and resources is based on and fairly represents information and supporting documentation prepared by or under the supervision of Mr. Peter Bekkers, Chief Geoscientist employed by Oilex Ltd. Mr. Bekkers has over 15 years' experience in petroleum geology and is a member of the Society of Petroleum Engineers and AAPG. Mr. Bekkers meets the requirements of a qualified petroleum reserve and resource evaluator under Chapter 5 of the ASX Listing Rules and consents to the inclusion of this information in this report in the form and context in which it appears. Mr. Bekkers also meets the requirements of a qualified person under the AIM Note for Mining, Oil and Gas Companies and consents to the inclusion of this information in this report in the form and context in which it appears.

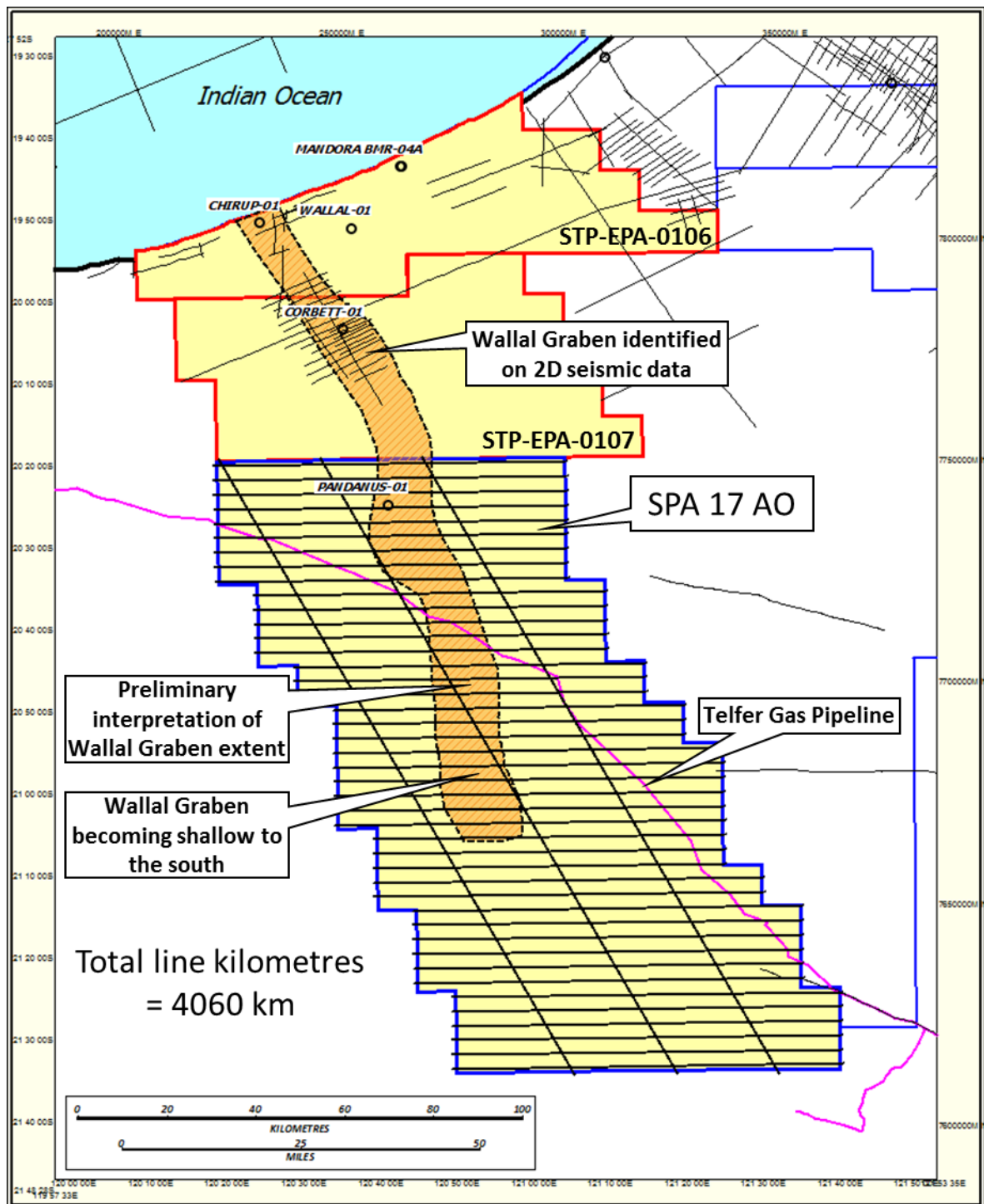


Figure 1 - Preliminary interpretation of the extent of the Wallal Graben from the recently acquired Gravity Gradiometry/Magnetic data in SPA 17 AO

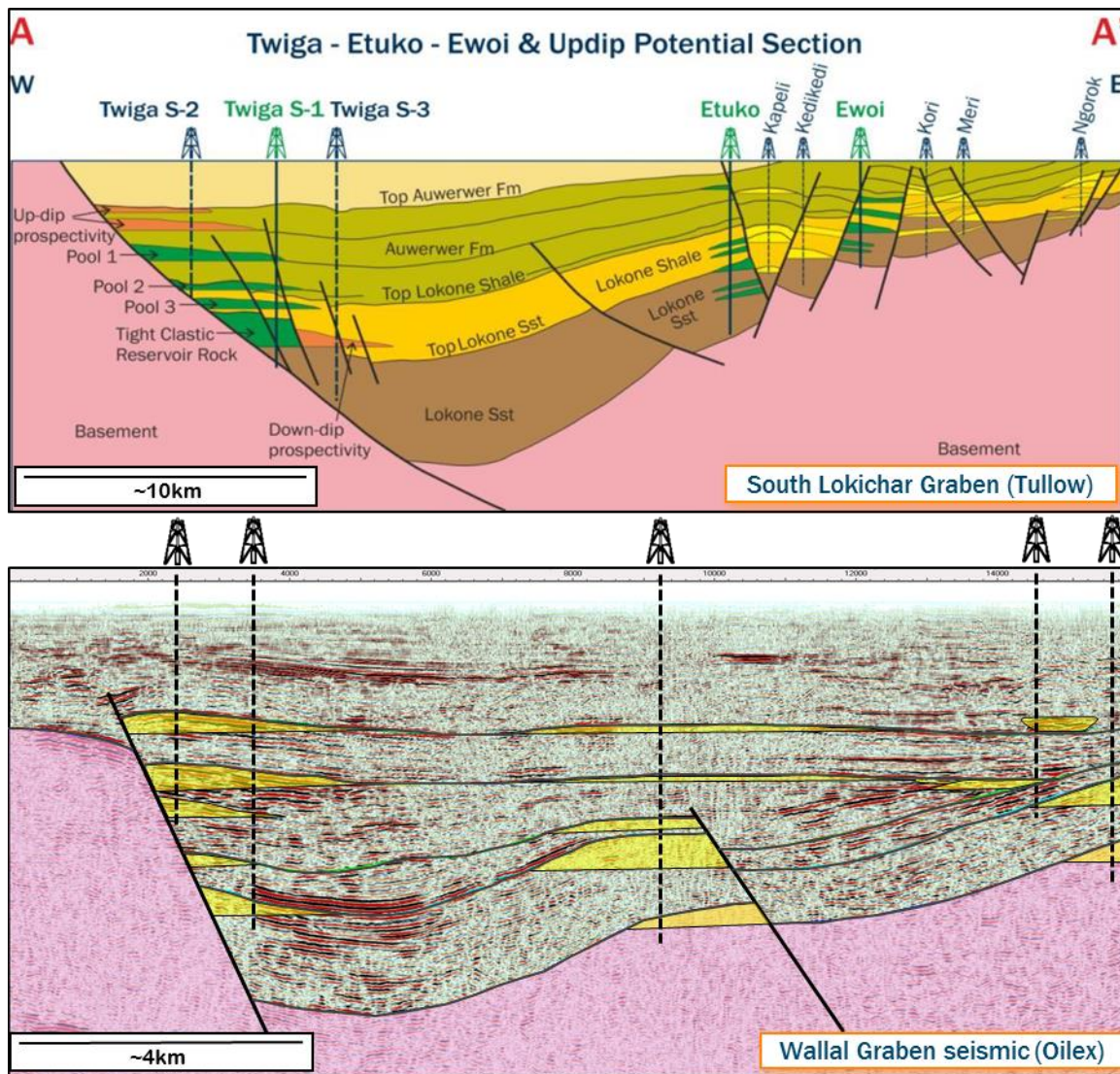


Figure 2 - Tullow Oil's Lokichar Basin (Kenya) schematic cross section and location of successful wells and prospects (top) compared to Oilex's Wallal Graben seismic cross section and analogous play-types and prospects –indicative potential future drilling locations (bottom).

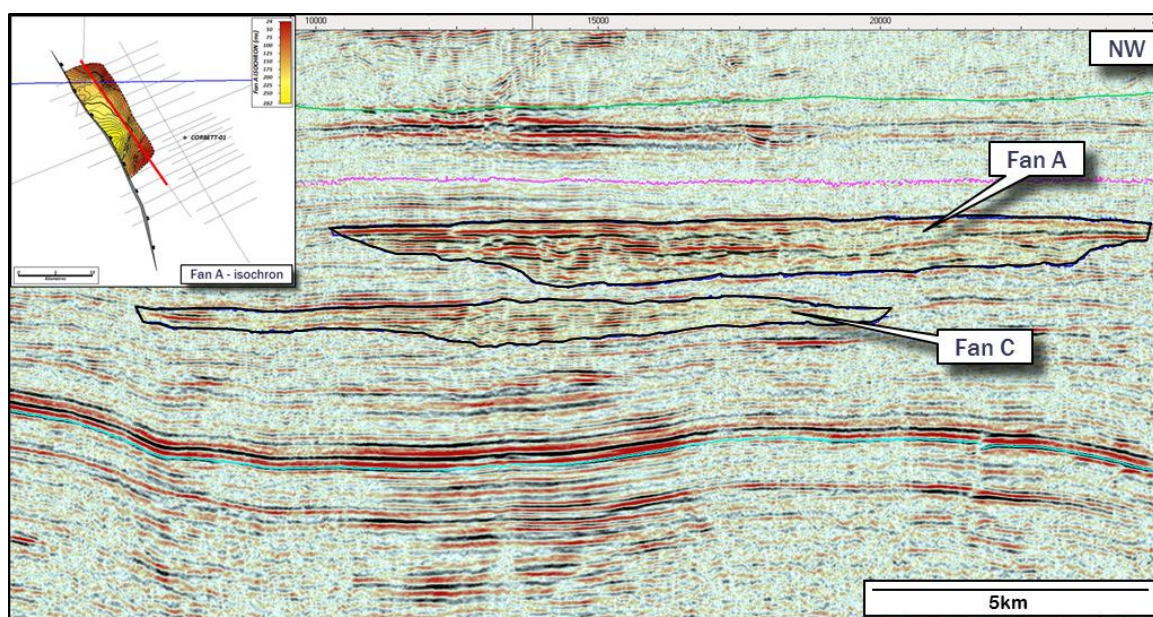


Figure 3 – Clearly defined, extensive fan systems interpreted on 2D seismic (strike line).

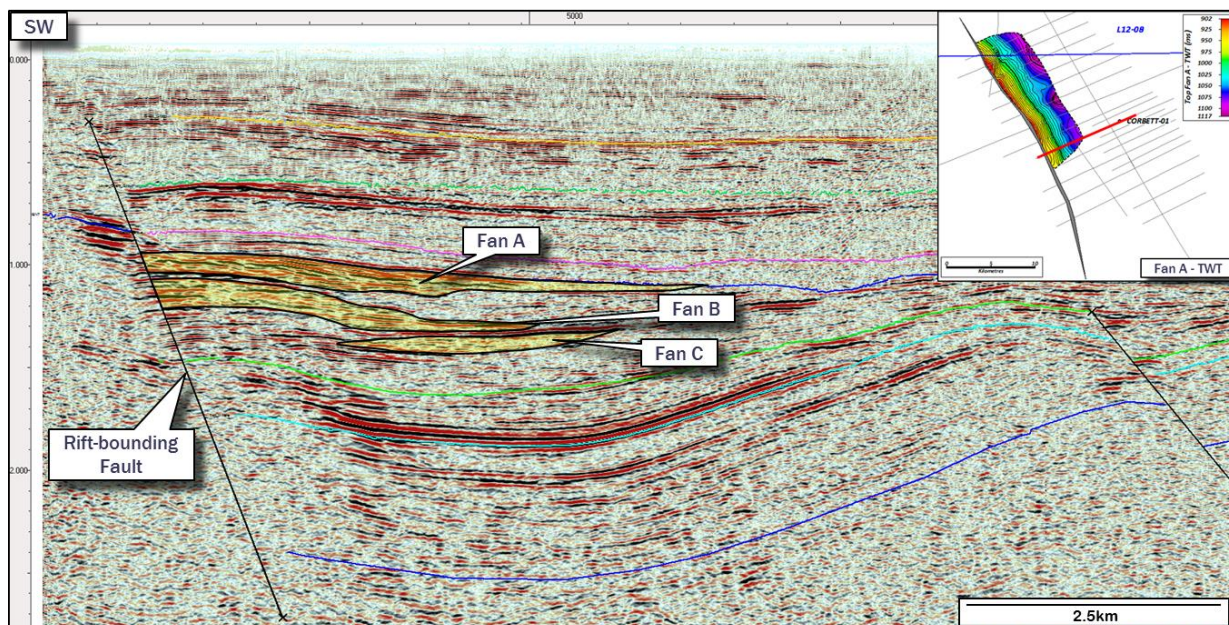


Figure 4 – Clearly defined, extensive fan systems interpreted on 2D seismic (dip line).

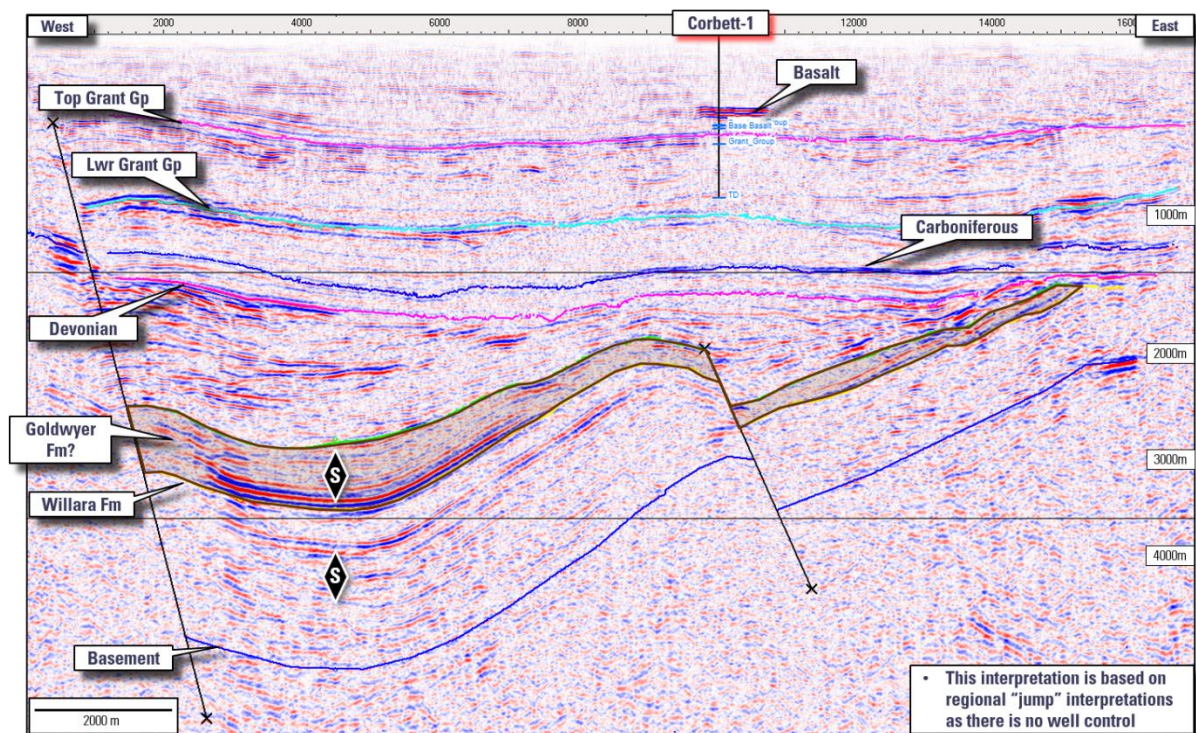


Figure 5 – Mid graben ridge structure with associated structural rollover at multiple stratigraphic levels.

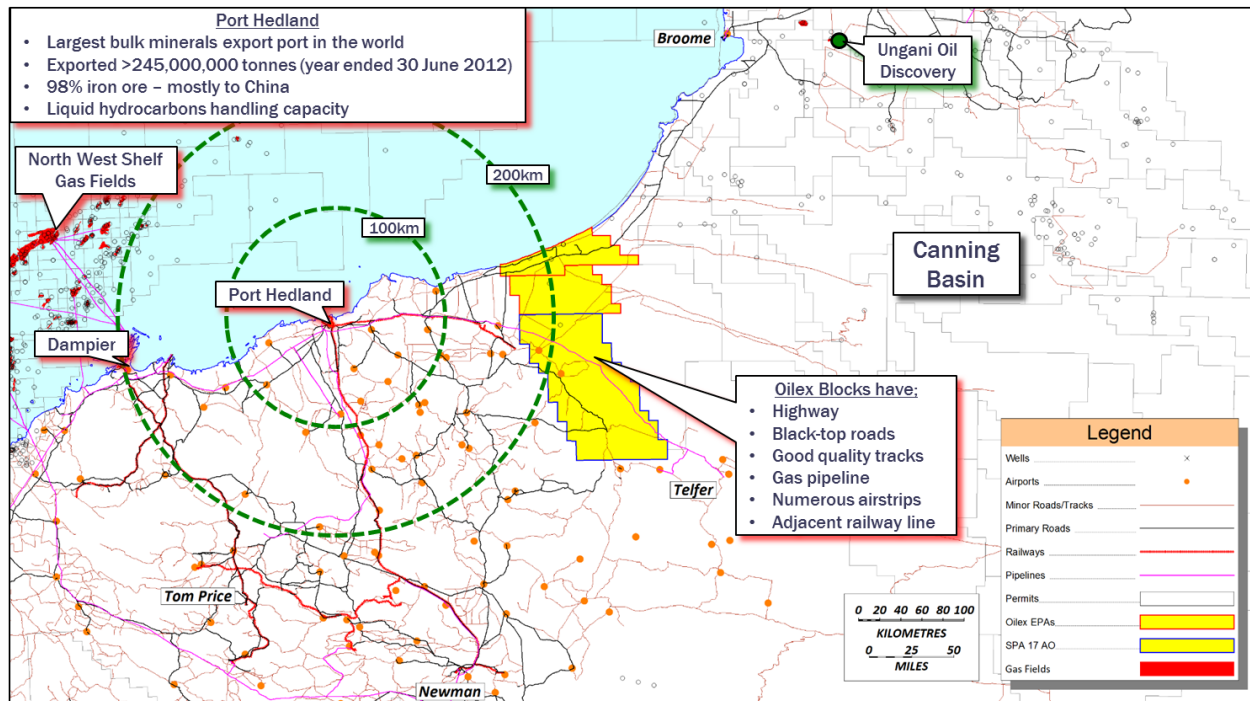


Figure 6 – Significant infrastructure within and adjacent to Oilex's Wallal Graben permits – a unique situation in the Canning Basin.