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## QUARTERLY REPORT TO SHAREHOLDERS 31 DECEMBER 2011

### Highlights

#### **Cambay PSC (45% Operator) onshore Gujarat, India**

- Netherland, Sewell and Associates, Inc. (“NSAI”) completed an initial independent assessment of six the “tight” reservoirs within the Cambay Contract Area and provided Best Estimates (100% basis) as set out below:
  - two shallower zones (X and Y) with combined unrisks gross contingent resources of 494 BCF of gas and 83 million barrels of oil,
  - four deeper zones (Z, 180-200, 200-300, 300-400) with unrisks gross prospective resources of 934 BCF of gas and 140 million barrels of oil.
- Interpretation of data from the Cambay-76H well indicates that the fracture stimulation program was effective and has stimulated a rock volume comparable to that being achieved in North American tight reservoir operations.
- The Company’s revised well production profile models for Cambay-76H that incorporate post fracture data indicate Estimated Ultimate Recoverable Volumes in excess of 3 BCFE. This is very encouraging for the performance of future production wells which are expected to have a horizontal length two to three times greater than the Cambay-76H proof of concept well.
- Fishing operations to retrieve the stuck milling tool in Cambay-76H well were started and 246 metres of coil successfully recovered. Fishing operations were interrupted due to higher than expected reservoir pressures and an influx of hydrocarbons and fracture stimulation fluids into the wellbore. As a consequence well control operations were initiated. As soon as the well has been stabilised fishing operations will resume.
- In conjunction with the Cambay Joint Venture partner, Gujarat State Petroleum Corporation, well locations and objectives have been agreed for follow up drilling campaigns in 2012 and 2013 to confirm and develop the NSAI assessed Resources.

#### **JPDA 06-103 PSC (10% Operator) offshore Timor Sea**

- Processing of 3D seismic data across the Tutuala lead and reprocessing of 3D seismic data across the Bazartete lead have been completed. Interpretation of these data is nearing completion which could lead to a drilling location being nominated shortly.

#### **Financial**

- Cash at end of the Quarter of A\$10.5 million and no corporate debt.

### Overview

NSAI’s independent assessment of resources in the Cambay Contract Area, completed during the Quarter, confirms the substantial hydrocarbon potential of the Eocene X, Y and Z reservoirs previously recognised by the Company. NSAI also identified three additional deeper zones with significant hydrocarbon potential and assessed a greater potential for oil production than that previously assessed by the Company.

The Company’s interpretation of data from the Cambay-76H well has been encouraging and results are consistent with the Company’s pre-fracture stimulation reservoir modelling. These results together with NSAI’s assessment provide sufficient encouragement and justification to warrant further drilling of the Cambay tight reservoirs and form the basis for proposed work programs for the evaluation and development of the Cambay tight reservoir resources currently before the Joint Venture.

The Cambay-76H well clean-up operations and production testing have been significantly delayed due to the stuck coiled tubing and milling tool and subsequent well control operations. However, the Company believes

that intermittent flows of hydrocarbons and fracture stimulation fluids to surface observed during this period may be positive indicators of potentially good future reservoir performance.

After the well has been stabilised, fishing and clean-up operations will resume. A production test will then follow to obtain data to demonstrate commerciality for a potential future Y zone development.

## OPERATIONS REVIEW

### CAMBAY FIELD, Gujarat, India

(Oilex Operator – 45%)

#### Cambay-76H Well

- Earlier in the year Oilex had successfully drilled and completed the 2,740 metre Cambay-76H well. The well included a 610 metre horizontal section and an eight stage fracture stimulation program, the first well in onshore India to apply these technologies. However clean-up operations in preparation for production testing were suspended when a coiled tubing milling assembly became stuck in the wellbore.
- In November pressure at the wellhead was recorded to have increased to approximately 1200psi and the well was subsequently “killed” for the installation of a Blow Out Preventer.
- Fishing or retrieval operations commenced on 6 December 2011 following the mobilisation of a work over rig, personnel, materials, services and imported manufactured specialist retrieval equipment.
- Operations to recover the stuck milling assembly proceeded satisfactorily with 246 metres of coiled tubing recovered in four sections over five days. An estimated 123 metres of coiled tubing and the milling assembly (12 metres) remain to be recovered once the well has been stabilised.
- Retrieval operations were interrupted after the fourth section of coiled tubing was recovered when high bottom hole pressure conditions and an influx of gas and fracture stimulation fluids made it necessary to undertake well control operations to stabilise the well.
- Well control operations were initiated in mid-December which involved the mobilization of additional equipment and chemicals to counter the abnormal pressure in the well bore. Gas and condensate, nitrogen (that had been injected in the early stages of attempting to free the milling assembly) and fracture stimulation fluids were circulated to surface and the hydrocarbons flared.
- While a reduction in pressure in the well bore was recorded during well control operations, the well continued to flow thus preventing a resumption of fishing operations. To counter the abnormal pressure a higher density mud system is currently being mobilised.
- The Cambay-76H well will provide important long term production test data to assess the potential of the Y Zone interval of the expansive Cambay Eocene “tight” reservoirs and for the next stage of the independent hydrocarbon assessment by Netherland Sewell and Associates Inc.

#### Resource Volumes

- During the Quarter an independent assessment of the hydrocarbon potential was completed by Netherland Sewell and Associates Inc. (NSAI), a global consulting group specializing in the assessment and valuation of hydrocarbon resources.
- NSAI conducted a hydrocarbon in-place evaluation and recoverable resources assessment of six potential Eocene reservoirs (X, Y, Z, 180-200, 200-300, 300-400 Zones) in the Cambay Production Sharing Contract (“PSC”). NSAI determined:
  - For the X and Y Zone, unrisked Contingent Resources on a Best Estimate basis of 222.6 BCF and 37.4 MMBO net to Oilex. (Net High Estimate of 482.8 BCF and 80.5 MMBO).
  - For the deeper Z, 180-200, 200-300 & 300-400 Zones, unrisked Prospective Resources on a Best Estimate basis of 420.6 BCF and 63.1 MMBO net to Oilex.

- A further assessment will be undertaken by NSAI once sufficient production data are obtained from the Cambay 76H well.
- NSAI has advised the Company that upgrading of the X and Y zone Contingent Resources into Reserves may be possible on demonstration of: 1) X and Y Zone reservoir productivity; and 2) fracture stimulation technologies developed in North America being technically feasible and commercially viable for the Cambay project.
- With the successful drilling, completion and fracture stimulation of the Cambay-76H well, the Company believes that it has already substantially demonstrated one of these points; that fracture stimulation technologies developed in North America can be transferred to India and are technically feasible.

### **Cambay-76H Well Post-fracture Stimulation Analysis**

- During the fracture stimulation program each of the fracture stages and pre-fracture injectivity tests were monitored using surface and down-hole pressure gauges and a microseismic surface array.
- Microseismic and pressure data acquired during the fracture treatments provide complementary data which can be combined to develop a greater level of confidence in the effectiveness of the fracture treatment and generate more reliable calibrated models for the production performance of the Cambay-76H well. The data will also be important for optimising the design of future X & Y Zone production wells.
- The initial interpretation of these data has been completed and updated well performance models have been generated. While final interpretation is dependent on the data from the production test, the Company's preliminary conclusions indicate that:
  - Each of the eight fracture treatments successfully generated a complex fracture network in the X and Y Zone in the vicinity of the Cambay-76H well bore.
  - The stimulated rock volume surrounding the well bore is comparable to that obtained in North American stimulated wells according to public data available for the Barnett and Haynesville reservoirs.
  - Modelled initial production rates and well recoveries for the Cambay-76H well incorporating these actual post-fracture stimulation data are encouraging for the commercial production of hydrocarbons from the X and Y Zones.
  - Revised well production profile models for Cambay-76H that incorporate post fracture data indicate Estimated Ultimate Recoverable Volumes in excess of 3 BCFE.
- The Cambay-76H well long term test will be conducted with the aim of establishing a production decline curve and to confirm the expectations of ultimate hydrocarbon recovery from wells in the Y Zone. These data will also be used in assessing and potentially booking Reserves for the Cambay Contract Area.

### **Forward Work Program 2012-13**

- Data acquired during the fracture stimulation program has been assimilated into the existing technical data base. The resulting interpretation forms the basis for the design of an accelerated program for the evaluation and development of the Cambay Field resources which will be focussed on:
  - Drilling of additional vertical wells to obtain modern logs and specific lithological and fluid data for the X & Y Zone at key locations in the Contract Area.
  - Drilling of additional optimised horizontal production wells to build a Reserves base for the X & Y Zone.
  - Assessment of the substantial oil and gas volumes identified in the deeper Zones.
  - Application of modern North American tight reservoir data acquisition and interpretation technologies.

## **WA-388-P, Australia**

**(Oilex – 8.4%)**

- Work continued on the interpretation of the pre-stack depth migration reprocessed data across the Placanica prospect by the Operator Apache Northwest Pty Ltd.

## **JPDA 06-103, TIMOR SEA**

**(Oilex Operator – 10%)**

- Processing of the Tutuala 3D Survey seismic data was completed. The Tutuala Survey comprises 220 km<sup>2</sup> of 3D seismic data across the Tutuala lead which is mapped at the Top Plover Formation stratigraphic level. The Tutuala lead was only partially covered by 3D data and the new survey provides infill coverage between the existing adjacent 3D surveys. The interpretation of the Tutuala structure is ongoing.
- Reprocessing of 3D seismic data across the Bazartete structure has been completed and the interpretation of these data is ongoing.
- Upon completion of the above technical interpretation work, it is anticipated that a drilling location may be nominated for the drilling of a third well in JPDA 06-103.
- Autoridade Nacional Do Petroleo (“ANP”), the JPDA Designated Authority, has agreed to vary the Production Sharing Contract to extend the initial exploration period by 12 months until 15 January 2013.

## **West Kampar PSC, Central Sumatra**

**(Oilex – 45% + further 22.5% secured\*)**

- Oilex continues to pursue a commercial resolution to the Joint Venture dispute and negotiations have continued to that end. At the same time, the Company intends to protect its participating interest in the West Kampar PSC and to pursue enforcement of its Arbitration Award as appropriate.

## **Financial**

- Cash at the end of the Quarter of A\$10.5 million with no commercial loans at the end of the Quarter.

## **Health, Safety, Security and Environment**

No Lost Time Incidents were recorded for Oilex personnel or contractors at any location.

The Company's website [www.oilex.com.au](http://www.oilex.com.au) is regularly updated with current information.

For further information, please contact:

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Information in this report relating to hydrocarbon reserves or resources has been compiled by Mr Ray Barnes B.Sc. (Hons), the Technical Director of Oilex Ltd who has over 38 years' experience in petroleum geology and is a member of the AAPG. Mr Barnes consents to the inclusion of the information in this report relating to hydrocarbon reserves and resources in the form and context in which it appears. Resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resources Management System, 2007.

This document may include forward-looking statements. Forward-looking statements include, but are not necessarily limited to, statements concerning Oilex Ltd's planned exploration program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate" "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although Oilex Ltd believes that its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements."

## CORPORATE DETAILS

### Board of Directors

Max Cozijn	Non-Executive Chairman
Bruce McCarthy	Managing Director
Ray Barnes	Technical Director
Ben Clube	Finance Director & Company Secretary
Sundeep Bhandari	Non-Executive Vice Chairman
Ron Miller	Non-Executive Director

### Share Registry

Security Transfer Registrars Pty Ltd  
 770 Canning Highway  
 Applecross WA 6153, Australia  
 Telephone: +61 8 9315 2333  
 Facsimile: +61 8 9315 2233  
 Email: registrar@securitytransfer.com.au

### Capital Structure as at 30 January 2012

Ordinary Shares	253,324,885
Unlisted Options	34,075,000
Unlisted Performance Rights	22,000

### Stock Exchange Listing

Australian Stock Exchange  
 Code: OEX  
 AIM Market of London Stock Exchange  
 Code: OEX

LIST OF ABBREVIATIONS AND DEFINITIONS USED HEREIN

MMBO	Million standard barrels of oil or condensate
BBO	Billion standard barrels of oil or condensate
BCF	Billion Cubic Feet at standard temperature and pressure conditions
BCFE	Billion Cubic Feet Equivalent calculated by applying a condensate gas conversion of 5.62
Discovered in place volume	Is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production
Undiscovered in place volume	Is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development.
MMSCF/DAY	Million standard cubic feet (of gas) per day
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied.

<b>ASSET SCHEDULE</b>				
ASSET	BASIN / STATE / COUNTRY	JOINT VENTURE PARTIES	EQUITY %	OPERATOR
Cambay Field PSC	Cambay/ Gujarat / India	Oilex Ltd	30.0	Oilex Ltd
		Oilex NL Holdings (India) Limited	15.0	
		Gujarat State Petroleum Corp. Ltd	55.0	
Bhandut Field PSC	Cambay/ Gujarat / India	Oilex NL Holdings (India) Limited	40.0	Oilex NL Holdings (India) Limited
		Gujarat State Petroleum Corp. Ltd	60.0	
Sabarmati Field PSC	Cambay/ Gujarat / India	Oilex NL Holdings (India) Limited	40.0	Oilex NL Holdings (India) Limited
		Gujarat State Petroleum Corp. Ltd	60.0	
West Kampar PSC	Central Sumatra/ Indonesia	Oilex (West Kampar) Limited	67.5 <sup>(1)</sup>	PT Sumatera Persada Energi
		PT Sumatera Persada Energi	32.5	
JPDA 06-103 PSC	Flamingo / Joint Petroleum Development Area / Timor-Leste & Australia	Oilex (JPDA 06-103) Ltd	10.0	Oilex (JPDA 06-103) Ltd
		Japan Energy E&P JPDA Pty Ltd	15.0	
		GSPC (JPDA) Limited	20.0	
		Videocon JPDA 06-103 Limited	20.0	
		Bharat PetroResources JPDA Ltd	20.0	
		Pan Pacific Petroleum (JPDA 06-103) Pty Ltd	15.0	
WA-388-P	Carnarvon/ WA / Australia	Oilex Ltd	8.4	Apache Northwest Pty Ltd
		Gujarat State Petroleum Corp. Ltd	8.4	
		Videocon Industries Ltd	8.4	
		Bharat PetroResources Ltd	8.4	
		Hindustan Petroleum Corp Ltd	8.4	
		Apache Northwest Pty Ltd	40.0	
		Sasol Petroleum Australia Ltd	18.0	

(1) Oilex (West Kampar) Limited is entitled to have assigned an additional 22.5% to its holding through the exercise of its rights under a Power of Attorney granted by SPE following the failure of SPE to repay funds due. The assignment has been provided to BPMigas but has not yet been approved or rejected. If Oilex is paid the funds due then it will not pursue this assignment.

## APPENDIX 5B

### Mining exploration entity quarterly report

*Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 1/6/10, 17/12/10.*

Name of entity

**OILEX LTD**

ABN

**50 078 652 632**

Quarter ended ("current quarter")

**31 DECEMBER 2011**

<b>1 Consolidated statement of cash flows</b>		
	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(4,044)	(7,889)
(b) development	-	-
(c) production	(145)	(221)
(d) administration (net)	(579)	(948)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	69	145
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(4,699)</b>	<b>(8,913)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(7)	(29)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	4	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(3)</b>	<b>(29)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(4,702)</b>	<b>(8,942)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(4,702)	(8,942)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc	-	13
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings (net)	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
<b>Net financing cash flows</b>	-	13
<b>Net increase (decrease) in cash held</b>	(4,702)	(8,929)
1.20 Cash at beginning of quarter/year to date	15,437	19,070
1.21 Exchange rate adjustments to item 1.20	(276)	318
1.22 <b>Cash at end of quarter</b>	10,459	10,459

	Current quarter \$A'000
<b>Payments to directors of the entity and associates of the directors</b>	
<b>Payments to related entities of the entity and associates of the related entities</b>	
1.23 Aggregate amount of payments to the parties included in item 1.2	529
1.24 Aggregate amount of loans to the parties included in item 1.10	
1.25 Explanation necessary for an understanding of the transactions	

<b>2</b>	<b>Non-cash financing and investing activities</b>
2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
	N/A
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
	N/A

<b>3</b>	<b>Financing facilities available</b>	Amount available \$A'000	Amount used \$A'000
	<i>Add notes as necessary for an understanding of the position.</i>		
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

<b>4</b>	<b>Estimated cash outflows for next quarter</b>	\$A'000
4.1	Exploration and evaluation	3,300
4.2	Development	-
4.3	Production	300
4.4	Administration	400
	<b>Total</b>	4,000

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>5 Reconciliation of cash</b>		
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,817	6,155
5.2 Deposits at call	6,642	9,282
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	10,459	15,437

<b>6 Changes in interests in mining tenements</b>				
	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed		Refer to Permit/Asset Schedule in Quarterly Report		
6.2 Interests in mining tenements acquired or increased		Refer to Permit/Asset Schedule in Quarterly Report		

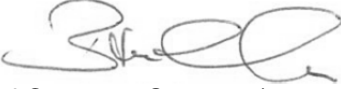
<b>7 Issued and quoted securities at end of current quarter</b> <i>Description includes rate of interest and any redemption or conversion rights together with prices and dates.</i>				
	Total number	Number quoted	Issue price per security	Amount paid up per security
<b>7.1 Preference +securities (description)</b>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
<b>7.3 +Ordinary securities</b>	<b>253,324,885</b>	<b>253,324,885</b>	Various	-
7.4 Changes during quarter (a) Increases through issues (options exercised) (b) Decreases through returns of capital, buy-backs	-	-	-	-
<b>7.5 +Convertible debt securities (description)</b>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>7 Issued and quoted securities at end of current quarter (cont'd)</b> <i>Description includes rate of interest and any redemption or conversion rights together with prices and dates.</i>				
	Total number	Number quoted	Issue price per security	Amount paid up per security
<b>7.7 Options</b> (description and conversion factor)			Exercise price	Expiry date
	300,000	-	\$2.75	31/03/2012
	900,000	-	\$2.75	30/06/2012
	2,000,000	-	\$0.30	15/09/2012
	16,687,500	-	\$0.30	10/11/2012
	150,000	-	\$0.50	01/08/2013
	4,150,000	-	\$0.30	01/07/2014
	8,737,500	-	\$0.37	10/11/2014
	500,000	-	\$0.36	21/11/2014
	150,000	-	\$0.63	01/08/2015
500,000	-	\$0.46	21/11/2017	
<b>Total</b>	<b>34,075,000</b>			
	<b>2008 Performance Rights</b>			
	22,000		Tranche 3 expire 1/07/2013	
<b>Total</b>	<b>22,000</b>			
<b>7.8 Issued during quarter</b>	500,000	-	\$0.36	21/11/2014
	500,000	-	\$0.46	21/11/2017
<b>7.9 Exercised during quarter</b>	-	-	-	-
<b>7.10 Expired during quarter</b>	<b>Options</b>			
	-	-	-	-
	<b>2008 Performance Rights</b>			
	21,000	-	Tranche 1 expire 1/07/2013	
	22,000	-	Tranche 2 expire 1/07/2013	
<b>7.11 Debentures (totals only)</b>	Nil	Nil		
<b>7.12 Unsecured notes (totals only)</b>	Nil	Nil		

## **Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 31 January 2012  
(Director and Company Secretary)

Print name: **Ben Clube**