

QUARTERLY ACTIVITY REPORT

31 December 2016

Enegex Limited (**ASX Code: ENX**) holds a working interest in petroleum Retention Lease WA-54-R located in the Browse Basin. Details of activities undertaken during the quarter are provided below.

Interest in WA-54-R Greater Cornea Fields

The company holds a 14.875% interest in the Cornea Joint Venture. The Cornea Joint Venture ownership is the following:

Enegex Limited	14.875%
Octanex Group (ASX Code: OXX)	18.750%
Cornea Resources Pty Ltd (Operator)	13.100%
Others	53.275%

The assets of the Cornea Joint Venture, being The Greater Cornea Fields, comprise the Cornea (Central and South), Focus and Sparkle Oil Fields and the Cornea North (Tear) Gas Field, and are located in the Browse Basin, offshore from Western Australia and held via a Retention Lease (WA-54-R) over 6 graticular blocks, amounting to an area of 497km².

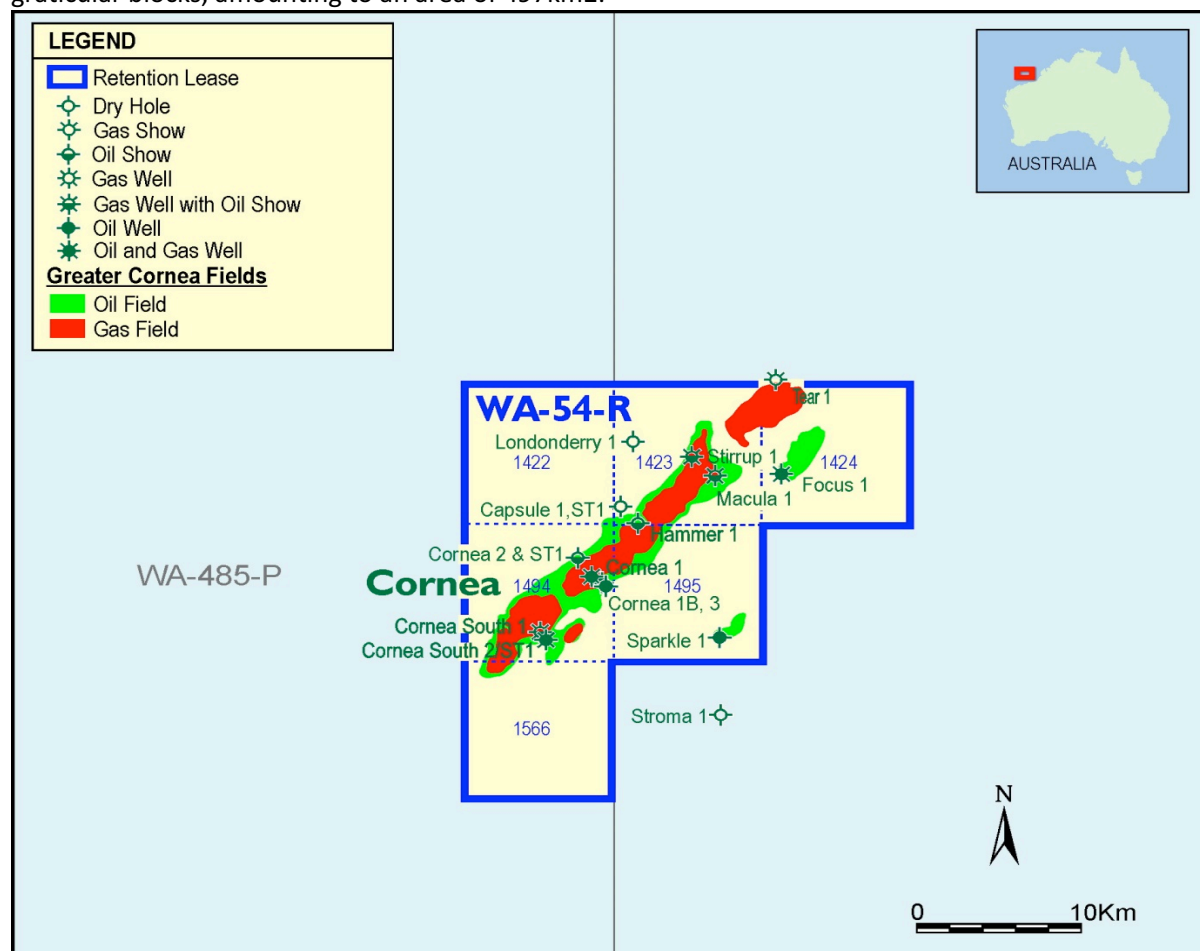


Figure 1 Greater Cornea Field Retention Lease Location Map

The oil volumes in the Greater Cornea Fields are such that, if threshold production flow rates can be demonstrated, but dependent on oil price, the economics may provide the potential for a commercial development. (Refer Table 1).

	Low Estimate	Best Estimate	High Estimate	
Middle Albian B & C Sands	(P90)	(P50)	(P10)	Units
Total Oil In-place	298.0	411.7	567.2	mmbbl
Recovery Factor (RF)	2	7	25	%
Contingent Oil Resources	7.9	28.8	101.9	mmbbl
Prospective Enegex Economic Interest*	1.16	4.28	15.16	mmbbl

* Based on Enegex's 14.875% Participating Interest in WA-54-R.

Table 1 Probabilistic In-place and Contingent Oil Resources for Cornea Central and South Fields (no development risk applied)

Work Program

The WA-54-R work program is aimed at overcoming the various challenges likely to be faced in bringing the Greater Cornea Fields into commercial production.

At the time the Retention Lease was granted, production uncertainty was considered to be the greatest barrier to the development of the Greater Cornea Fields. Given the potential size of the oil resource, and the oil price then prevailing (in the order of US\$110/bbl), it was understood that resolving the production uncertainty could provide a reasonable expectation for future development.

Accordingly, the Retention Lease work program substantially addressed the technical challenges of the Fields; with the first three years of the Lease designed to support the quantification of drilling challenges, culminating in a Year-4 production test, with the Year-5 work programme involving review of the Year-4 outcomes. The work programme was thus designed on the premise that Cornea's challenge was whether it would produce, rather than whether production would be economic.

Recent economic modelling demonstrates the fundamental shift in the field's commerciality in the current sustained low oil price environment, as well as demonstrating that the Greater Cornea Fields are not presently economic (even were the production uncertainties resolved). "Oil price" was identified as the input to which the field is now most sensitive, rather than "production", which was the case in 2013.

Recent technical work has included drilling studies, particularly focusing on the use of technology to address key uncertainties. Additional field development concept work has focussed on an appropriate production system.

Our studies indicate that the material and sustained fall in the price of oil since the grant of the Retention Lease has resulted in an assessment that a development of the Greater Cornea Fields would not be presently commercial, even were the production uncertainties to be resolved.

Given the ~55% decline in oil price, the most significant hurdle to commerciality of the Greater Cornea Fields is no longer producibility, but is "oil price". As such, the WA-54-R work program no longer appropriately addresses the Greater Cornea Fields' most significant barrier to development. Accordingly, the Cornea Joint Venture intends to apply to vary the conditions of WA-54-R in order that

the work programme is focussed on the “oil price” barrier to development now faced by the Greater Cornea Fields.

Potential Alliances

In addition to maintaining fiscal discipline and progressing the Retention Lease work program, EnegeX remains interested in developing potential alliances for the development of Cornea.

Energy Storage Innovation

With oil prices continuing to languish, we have considered where our future may lie.

Advances are being made with energy storage. EnegeX is seeking to become involved in innovations that are transforming the storage of energy. Key benefits associated with this sector include the following:

1. Various forms of energy storage are expected to grow quickly and will promote increased uptake of renewable energy, in particular;
2. Australia is expected to be one of the largest markets for energy storage due to the high cost of electricity, the large number of households already with solar panels and Australia’s excellent solar resources; and
3. The potential to reduce two large contributors to the cost of electricity bills in Australia – network and wholesale energy costs.

Our initial initiatives are to investigate and to undertake investment in the following areas:

1. Strategic energy storage minerals such as lithium, cobalt and graphite
2. Energy storage technologies
3. Alternative and renewable energy sources

Our involvement in energy storage and services may take a variety of forms including direct participation, joint venture and equity investment.

A small initial investment in Genex Power Limited (ASX Code GNX) was made during the quarter.

By Order of the Board



R J Wright
Company Secretary
Melbourne, Australia
31 January 2017

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

ENEGEX LIMITED

ABN

28 160 818 986

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(8)	(8)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	(15)	(67)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	7
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash used in operating activities	(20)	(68)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments	(3)	(3)
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash used in investing activities	(3)	(3)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		(22)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash used in financing activities		(22)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	539	609
4.2 Net cash used in operating activities (item 1.9 above)	(20)	(68)
4.3 Net cash used in investing activities (item 2.6 above)	(3)	(3)
4.4 Net cash used in financing activities (item 3.10 above)		(22)
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	516	516

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	300	42
5.2	Call deposits	216	497
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	516	539

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
15

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	10
9.2 Development	
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	30
9.6 Other (provide details if material)	15
9.7 Total estimated cash outflows	55

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		See Activity Report		
10.2 Interests in mining tenements and petroleum tenements acquired or increased		See Activity Report		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company Secretary)

Date: 31 January 2017

Print name R.J. WRIGHT

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.