



OCTANEX

Quarterly Activity Report 31 March 2017

HIGHLIGHTS

- 🔴 Ophir Platform complete
- 🔴 Ophir FPSO selected
- 🔴 Ophir production drilling to commence next month (May)
- 🔴 Ascalon Retention Lease applications to be re-assessed

PORTFOLIO

OCTANEX STRATEGY

Increase production exposure

Octanex is seeking to increase its exposure to production and development assets while moderating exploration activities.

Ophir oil development

Octanex has a 50% interest in the Ophir oil field development, a marginal oil field development offshore Peninsular Malaysia.

2 appraisal assets

Octanex also has interests in two pre-development assets; the Cornea oil field and Ascalon gas discovery, both offshore Western Australia. Octanex has developed technical and commercial skills from its role in the development of the Ophir Oilfield and expects to apply this marginal oil field development experience to Cornea, for which there are a number of parallels.

Exploration portfolio

Octanex's exploration interests cover five offshore permits in Western Australia. Successful farm outs have resulted in Octanex being partnered with world-class operators in four of its remaining five exploration permits.

COMPANY OVERVIEW

ASX Code	OXX
Share price*	\$0.042
Shares on issue	272M ¹
Options	21.27M
Cash	\$4.7M
Debt	US\$4M
¹ Inclusive of 30M held by trustee	
As at 31 March 2017	

DIRECTORS

Geoffrey Albers	Chairman & CEO
Rae Clark	Executive Director & COO
James Willis	Non-Executive Director
Tino Guglielmo	Non-Executive Director
David Coombes	Non-Executive Director
Kevin How Kow	Non-Executive Director
Suhnylla Kler	Non-Executive Director

CONTACT DETAILS

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OUR PROJECTS



PROJECTS	OIL	GAS	INTEREST
DEVELOPMENT			
● Ophir Oil Field	🔥		50%
APPRAISAL			
● Greater Cornea Fields	🔥		18.75%
● Ascalon Gas Discovery		🔥	100%
EXPLORATION			
● Carnarvon Basin			
WA-362-P & WA-363-P	🔥	🔥	33.33%
			Controlled by Shell
WA-323-P & WA-330-P	🔥		25%
			Controlled by Santos
WA-367-P	🔥		100%

ASSETS AND ACTIVITIES OVERVIEW

DEVELOPMENT ASSET

Ophir Oil Development Project, Malaysia

The Ophir field, offshore Peninsular Malaysia, is being developed by Ophir Production Sdn Bhd (OPSB), under a Risk Service Contract (RSC). Octanex holds a 50% interest in OPSB.

The Ophir development has benefited from the current reduction in industry costs. Furthermore, it utilizes a low risk development concept involving three production wells, a single wellhead platform and export via floating vessel.

First Oil from the Ophir field is scheduled to be produced in the second half of 2017.

The jacket and topsides elements of the Ophir wellhead platform were loaded out from Port Klang in March and installed in the field in April (see figures 1 to 5 on this page).



Figure 1 Ophir Wellhead Platform – Installation Complete



Figure 2 Ophir Topsides (foreground) with Jacket (background)



Figure 3 Ophir Platform Installation



Figure 4 Ophir Platform Installation – Jacket on barge, topsides in background



Figure 5 Ophir Platform Installation - Jacket installed, boat landing installation in process

The NAGA 2 jack-up drilling rig will shortly mobilise to the Ophir field for the drilling of three production wells.

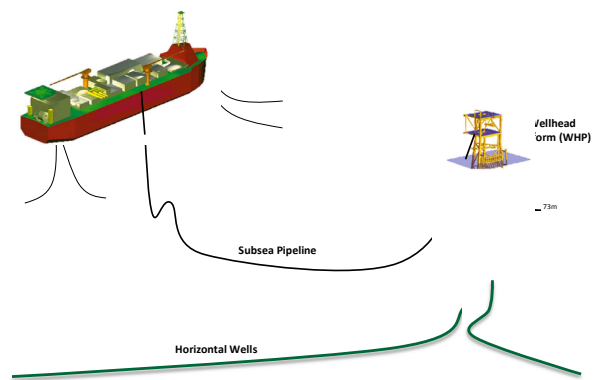


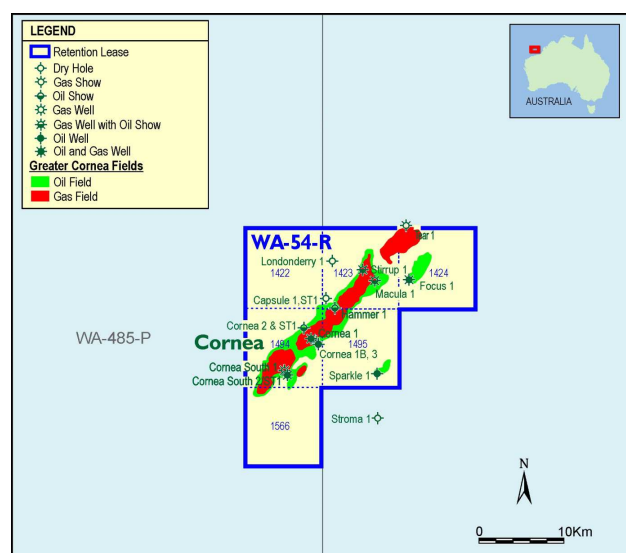
Figure 6 Ophir Development Schematic

The FPSO for the Ophir Field, the MTC Ledang FPSO, is being converted from an oil tanker by MTC Engineering Sdn Bhd (MTCE). The FPSO will have a small process facility module with capacity for 15,000 barrels of fluid per day and gas flaring, and will be capable of storing up to 350,000 barrels of crude. It will be anchored to the seabed at the Ophir field and connected to the Ophir platform via a flexible 8" pipeline. It is contracted to be at the Ophir field for a period of three years, with a one year extension option.

Octanex's share of the Ophir project is fully funded via OPSB's 75% project financing and Octanex's \$17Million Share Placement and Convertible Note Agreement with Sabah International Petroleum, which is wholly owned by Sabah Development Bank Berhad ("SDB"). SDB itself is wholly owned by the Ministry of Finance of the Malaysian state of Sabah.

PRE-DEVELOPMENT ASSETS

Greater Cornea Fields, Browse Basin, 18.75% interest



Greater Cornea Field Retention Lease Location Map

The Greater Cornea Fields (being the Cornea (Central and South), Focus and Sparkle Oil Fields and the Cornea North (Tear) Gas Field) are located in the Browse Basin, offshore from Western Australia and held via a Retention Lease (WA-54-R).

The Greater Cornea Fields are represented by a challenging reservoir presenting numerous production uncertainties and presently negative commercial viability due to the lower oil price environment.

Middle Albion B & C Sands	P90	P50	P10
Oil In-place mmbbl	298.0	411.7	567.2
Recovery Factor %	2	7	25
Cont. Oil Resources (mmbbl)	7.9	28.8	101.9
Octanex 18.75% Interest	1.48	5.40	19.11

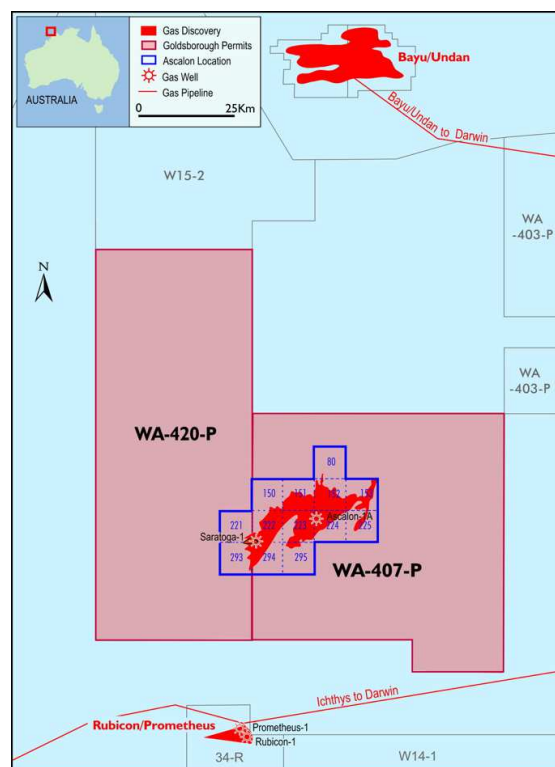
Probabilistic In-place and Contingent Oil Resources for Cornea Central and South Fields (no development risk applied)

At the time the Retention Lease was applied for and granted, production uncertainty was considered to be the greatest barrier to the development of the Greater Cornea Fields. Given the then favourable prevailing oil price, it was understood that resolving the production uncertainty could provide a reasonable expectation for probable commercial development.

Accordingly, the Retention Lease work program was largely designed to address the technical challenges of the Fields; with the first three years of the Retention 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.

However, the current sustained low oil price environment presents a major challenge to the field's commerciality. Given the ~60% decline in oil price, the first hurdle to commerciality of the Greater Cornea Fields is no longer producibility, but an "oil price" which has now made the development economically non-viable. As such, the WA-54-R work program no longer addresses the Greater Cornea Fields' most significant barrier to development and the Cornea Joint Venture has applied to vary the conditions of WA-54-R.

Ascalon Gas Discovery, Bonaparte Basin 100% interest



Ascalon Gas Accumulation Location Map

Discovered in 1995 by Mobil, the Ascalon gas accumulation is located mostly within exploration permit WA-407-P and extends into the adjacent WA-420-P. Applications for Retention Leases over the Ascalon gas accumulation were lodged early in 2016 to enable Octanex to retain the acreage until access to LNG market develops.

In March 2017 Octanex received advice from the National Offshore Petroleum Titles Administrator (NOPTA) that the Commonwealth-Western Australia' Offshore Petroleum Joint Authority (JA) was not prepared to grant Petroleum Retention Leases in respect to the Ascalon gas discovery.

The legislative grounds for grant of a Retention Lease are provided at section 142 of the Offshore Petroleum and Greenhouse Gas Storage Act 2006 and require the satisfaction of three criteria:

- (1) The application areas contain petroleum;
- (2) The recovery of petroleum from the application areas is not presently commercially viable; and

- (3) The recovery of petroleum from the application areas is likely to become commercially viable within 15 years

Octanex was advised that "The Joint Authority is of the view that the commerciality criteria in section 142 of the Act have not been met in relation to the Ascalon Location, on the grounds that the Ascalon Location is unlikely to become commercially viable within the next 15 years." No reason was given for this view. Octanex had previously submitted a comprehensive assessment of viability with its applications. This assessment was underpinned by Ascalon's size (3.2TCF P50 Contingent Resources), location (proximity to two pipelines), gas composition (low CO₂ content) and Australia's predicted domestic gas shortage and forecast global LNG demand.

Octanex sought to clarify the decision with the JA, and in April was notified by NOPTA that the JA has decided to treat as null and void their prior decision to refuse Octanex's applications for Petroleum Retention Leases in respect to the Ascalon gas discovery.

The JA made this decision because Octanex had not been advised that NOPTA recommended that the JA reject the applications, nor had Octanex been given the opportunity to either amend the work program or to provide written advice to the JA on the issue.

Octanex lodged its applications in March 2016, when the Interim Offshore Petroleum Guideline for Grant and Administration of a Retention Lease (Interim Guidelines) were in effect. Section 6.2 (e) of the Interim Guidelines states:

Where NOPTA proposes to recommend that the JA reject an application for retention lease or change an applicant's proposed work program, the applicant must be advised and given the opportunity either to agree to the amended work program or to provide written advice to the Joint Authority on the issue. Discussions should be completed with the applicant, where relevant, on any amendments to the proposed work conditions, and any other amendments to the proposed lease conditions, within four and a half

months from receipt of application, unless the applicant requires additional time to consider the proposed work conditions.

The JA now proposes to reassess Octanex's applications.

The gas is contained in a faulted horst structure within shallow marine sandstones of the Late Permian, Cape Hay Formation of the Hyland Bay Subgroup. Mapping on modern 3D seismic database, which we acquired over the feature and newly reprocessed 2D seismic, indicates a closure over an area of 260km² with a maximum closure height of 380m. The lowest closing contour appears coincident with lowest known gas defined from logs in the Ascalon-1A well. Modern petrophysics indicates a 146m gross gas column within the Cape Hay Formation in the Ascalon-1A well, which was located down dip off the crest of the structure. The reservoir sandstones within the Cape Hay Formation are tight, considered to be not unlike those in the nearby Petrel and Tern gas discoveries.

The probabilistically determined contingent resources estimates for the Ascalon Gas Discovery are shown in the table below.

	P90	P50	P10
Contingent gas resource (TCF)	1.04	3.01	8.74
Octanex 100% interest			

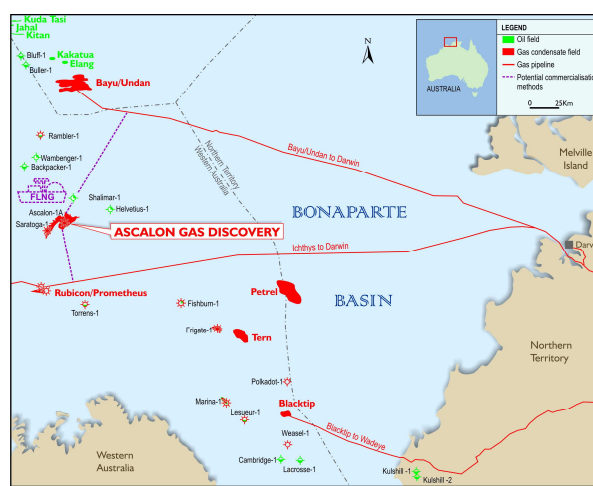
Ascalon gas discovery – Probabilistic Contingent Gas Resources (no development risk applied)

The commerciality of Ascalon is dependent on gas market factors; gas market demand and consequent pricing, as well as access to market. Located offshore from northern Australia, the most likely market for Ascalon's gas is LNG, which would necessitate access to pipeline and LNG infrastructure. The P50 estimate of the contingent resource at Ascalon is 3 TCF of natural gas, which at current LNG gas prices, is insufficient to support a standalone LNG development.

Ascalon is located in proximity to a number of gas discoveries some of which may be commercialised in coming years, including the Petrel and Tern discoveries. The development of nearby gas

discoveries can be expected to provide opportunities for Ascalon to be developed to tie-back to another development. It is also located in close proximity to the Bayu-Undan pipeline to Darwin as well as the Icythys pipeline to the Inpex LNG facility under development in Darwin.

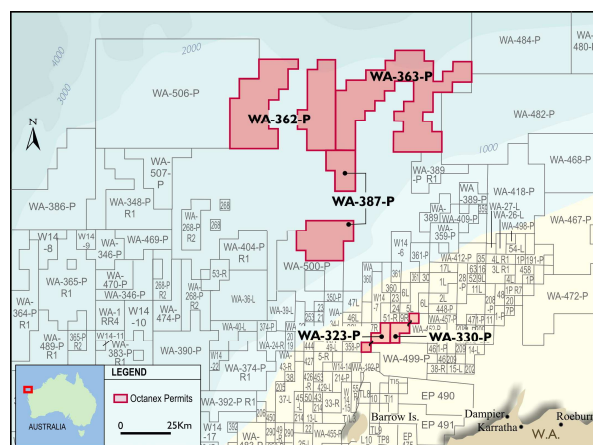
Importantly, the Ascalon Location is outside the area of disputed sovereignty between East Timor and Australia.



Ascalon Proximity to Gas Infrastructure

EXPLORATION ASSETS

Octanex has various interests in five high impact permits in the Dampier sub-basin and the Exmouth Plateau of the Northern Carnarvon Basin. Its participation in four of these permits is presently fully carried.

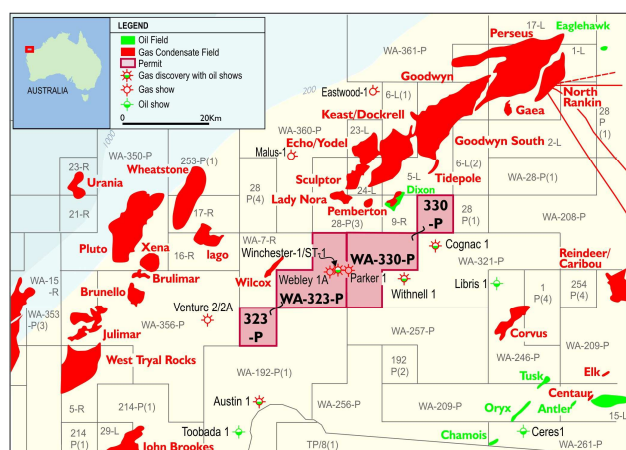


Octanex Carnarvon Basin Interests

Dampier Sub-Basin

WA-323-P & WA-330-P, 25% interest, Operated by Santos

WA-323-P and WA-330-P comprise a discrete project area of 640 km² on the Parker Terrace, in proximity to the onshore Devils Creek gas processing facility. The Winchester-1/ST1 discovery well was drilled from a location within WA-323-P during 2013. By itself, the estimated size of the Winchester discovery, is considered to be insufficient to be developed economically without further contributions to the discovered resource from possible deeper or adjacent hydrocarbon zones to the Winchester location. The Winchester discovery is located near existing pipeline and processing infrastructure and likely future infrastructure extensions.



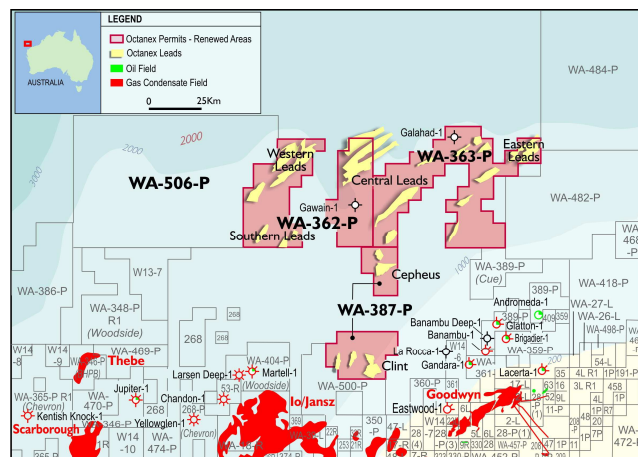
WA-323-P & WA-330-P and Winchester-1/ST1 Location Map

Interpretation of the reprocessed data Winchester 3D seismic survey by the operator is continuing with the Prospects and Leads inventory being updated to incorporate prospects and leads identified from the reprocessed Winchester 3D survey.

Octanex is carried by Santos though all exploration activity in the current term of each permit.

Exmouth Plateau interests

Octanex has interests in three permits in the Exmouth Plateau as shown below.



Exmouth Plateau Permits

WA-362-P & WA-363-P, 33.33% interest, operated by Eni


The WA-362-P and WA-363-P permits are located on the northern margin of the Exmouth Plateau, 300 – 400 km northwest of the Western Australian coastline and comprise a combined exploration area of approximately 10,956 km². The work program in both permits calls for reprocessing, interpretation and mapping of 2D data together with a studies program, to be followed by a new 3D seismic survey and an exploration well in the last two years of each permit's term.

Octanex is fully carried by Eni though all exploration activity, including the next well in each permit, should a well be drilled in either or both of the permits.

WA-387-P, 100% interest

WA-387-P is considered to be prospective for gas within fluvial and deltaic sandstones of the Triassic Mungaroo Formation. This play is the main reservoir in the Wheatstone and Pluto gas fields located 35km and 45km due south of the permit respectively. The Mungaroo Formation is also the reservoir for the giant Goodwyn gas field located 65km to the east of the permit. A secondary play is the Late Jurassic, Oxfordian Jansz Sandstone, which is the reservoir for the giant Jansz/Io gas discovery located 35km southwest of the permit.

The current work program calls for the acquisition of 2D seismic surveys and studies. Octanex is seeking



participation of other exploration and speculative seismic companies to join with it in this work.



Rae Clark

Executive Director
& Chief Operating Officer
28 April 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

OCTANEX LIMITED

ABN

61 005 632 315

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(58)	(141)
(b) development		
(c) production		
(d) staff costs	(116)	(348)
(e) administration and corporate costs	(186)	(533)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	2
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)	22	61
1.9 Net cash used in operating activities	(337)	(959)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(884)	(2,733)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash used in investing activities	(884)	(2,733)

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		
3.5	Proceeds from borrowings		5,383
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 from financing activities		5,383

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,135	3,143
4.2	Net cash used in operating activities (item 1.9 above)	(337)	(959)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(884)	(2,733)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	5,383
4.5	Effect of movement in exchange rates on cash held	(260)	(180)
4.6	Cash and cash equivalents at end of period	4,654	4,654

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	4,654	6,135
5.2	Call deposits		
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)	4,654	6,135

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	47
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	884
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

6.2 Shareholder advance to 50% owned Ophir Production Sdn Bhd ("OPSB") for the quarter - \$884k

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

	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	76
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	

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 – Convertible Notes	US\$12m	US\$4m
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	40
9.2 Development	
9.3 Production	
9.4 Staff costs	125
9.5 Administration and corporate costs	120
9.6 Other – Advance to joint venture company	3,800
9.7 Total estimated cash outflows	4,085

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: 28 April 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.