



OCTANEX

Quarterly Activity Report 30 September 2017

HIGHLIGHTS DURING THE QUARTER

- Ophir FPSO sailed to Ophir Field
- Ophir drilling campaign completed under budget
- Cornea Integrated reservoir modelling commenced to support production test well design linked to new development concept

PORTFOLIO SUMMARY

Increase production exposure

Ophir oil development

2 appraisal assets

Exploration portfolio

OCTANEX STRATEGY

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

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

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.

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

COMPANY OVERVIEW

ASX Code OXX

Share price* \$0.090

Shares on issue 272M¹

Options 21.27M

Cash \$5.1M

Debt US\$8M

¹ Inclusive of 30M held by trustee

As at 30 September 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%
PRE-DEVELOPMENT			
• Greater Cornea Fields	🔥		18.75%
• Ascalon Gas Discovery		🔥	100%
EXPLORATION			
• Carnarvon Basin			
WA-362 P & WA-363 P	🔥	🔥	33.33%
			Carried by EN
WA-323 P & WA-330 P	🔥		25%
			Carried by Santos

ASSETS AND ACTIVITIES OVERVIEW

DEVELOPMENT ASSET

Ophir Oil Development Project, Malaysia



MTC Ledang FPSO and Ophir wellhead platform

The Ophir field, offshore Peninsular Malaysia, has been developed by Ophir Production Sdn Bhd (OPSB) under a Risk Service Contract (RSC), with OPSB as Contractor and PETRONAS as the resource owner. Octanex holds a 50% interest in OPSB.

The Ophir development consists of a wellhead platform, three production wells and export via a Floating Production Storage and Offloading (FPSO) vessel.

The FPSO and wellhead platform have been commissioned and start-up routines initiated. Hydrocarbons are being received, processed and stored on the FPSO and performance tests of wells and facilities are being run.

“First Oil”, which is contractually defined as 20 days production from a consecutive 25 days following completion of testing, is expected to be achieved during quarter 4 2017.

The MTC Ledang FPSO was converted from an oil tanker by MTC Engineering Sdn Bhd (MTCE) at the Keppel Shipyard in Singapore. It sailed to the Ophir field during the quarter where it was anchored to the seabed and connected to the previously installed wellhead platform via a flexible 8” pipeline.



MTC Ledang FPSO

The MTC Ledang FPSO has a process facility module with capacity for 15,000 barrels of fluid per day and gas flaring, and is capable of storing up to 300,000 barrels of crude. It is contracted to be at the Ophir field for a period of three years, with a one year extension option.

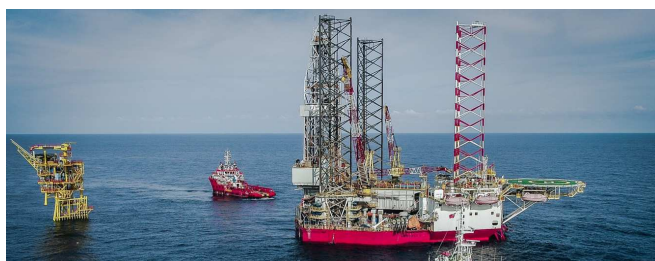


Ophir wellhead platform and MTC Ledang FPSO



MTC Ledang FPSO with installation vessel and tugs approaching Ophir wellhead platform (on left)

During the quarter the Ophir drilling campaign was completed ahead of time and under budget. It comprised three horizontal production wells drilled and completed in the J20 oil reservoirs of the Lower Miocene Tapis formation.



Naga 2 jack-up drilling rig approaching Ophir wellhead platform

PETRONAS introduced the RSC model as a petroleum arrangement designed with the objective of intensifying upstream Malaysian oil and gas activities and developing smaller, stranded oil and gas resources. Under the terms of the RSC, the Contractor (OPSB for the Ophir field) is the service provider and Operator of the field, while PETRONAS is the resource owner. Upfront investment of capital is contributed by the Contractor, with the Contractor compensated via the reimbursement of costs plus a remuneration fee for services rendered. The remuneration fee is linked to production volume and capital cost key performance indicators, and paid from proceeds of Ophir crude sales made by PETRONAS.

Octanex's share of the Ophir project is fully funded via OPSB's 75% project financing and Octanex's US\$12Million Convertible Note facility (drawn to US\$8Million) 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.

OPSB will be compensated by PETRONAS on a quarterly basis, anticipated to commence following the end of the December 2017 quarter, from the proceeds of Ophir crude sales. Compensation will

comprise reimbursement of capital costs, reimbursement of operating costs and remuneration fee, in that order.

Advances by Octanex and other shareholders to OPSB are subordinated to OPSB's project financing arrangements. Octanex's entitlement to payments from OPSB will take effect following repayment of the project finance and will first be in the form of repayment of shareholder advances and then in the form of dividends.

Octanex may be required to redeem the SIP convertible note facility from the proceeds of payments received from OPSB; alternatively, SIP may elect to convert the SIP convertible notes into Octanex shares (the facility is comprised of three equal tranches of notes with conversion prices of \$0.15, \$0.20 and \$0.25).

PRE-DEVELOPMENT ASSETS

Greater Cornea Fields, Browse Basin 18.75% interest

The Greater Cornea Fields (being the Cornea, 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).

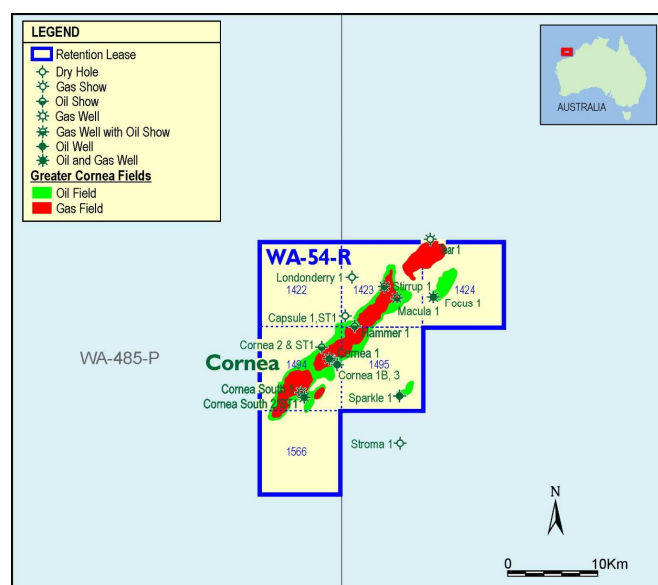


Figure Greater Cornea Field retention lease location map

The Greater Cornea Fields present a large in place oil resource contained in a challenging reservoir. At the time the Retention Lease was applied for and granted, production uncertainty was identified as the primary constraint to the development of the Greater Cornea Fields. A successful production test well designed to demonstrate threshold productivity for development initiation is required to commercialise Cornea. A production test well must be placed and constructed in the same manner as intended for field development in order to prove up viable well construction methodologies and technologies, ensure representative threshold oil production is achieved and control of gas and water ingress.

Given the favourable prevailing oil price when the Retention Lease was applied for and granted, numerous field development concepts were then considered to be economic (subject to achieving threshold production volumes).

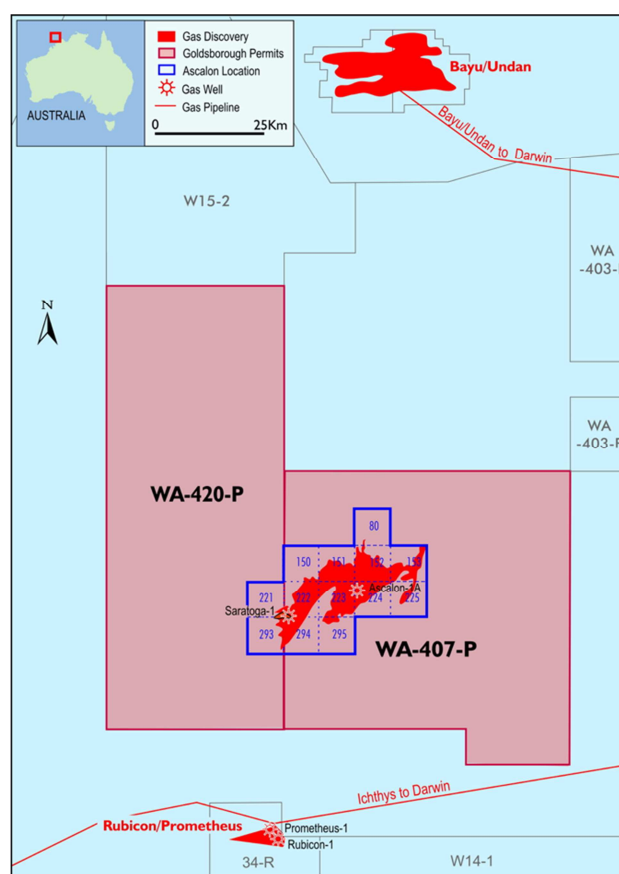
The current environment presents a further significant challenge to the field's commerciality, having rendered as non-viable the field development concepts previously considered as potentially viable.

Reflecting the changed oil price environment, new development concept screening was undertaken earlier this year with the objective of identifying a field development concept with the potential to be commercial at current oil prices (US\$50/Bbl).

Following this screening, a field development concept predicated on the use of a Mobile Offshore Production Unit (MOPU) with a subsea holding tank and single point mooring has been selected for further investigation. This concept is significantly different to earlier concepts with significant cost reduction implications.

Integrated reservoir modelling and facilities work has been commenced to support design of a production test well capable of delivering threshold productivity using this development concept. The Cornea Joint Venture has applied to vary the conditions of WA-54-R to facilitate this work.

Ascalon Gas Discovery, Bonaparte Basin 100% interest



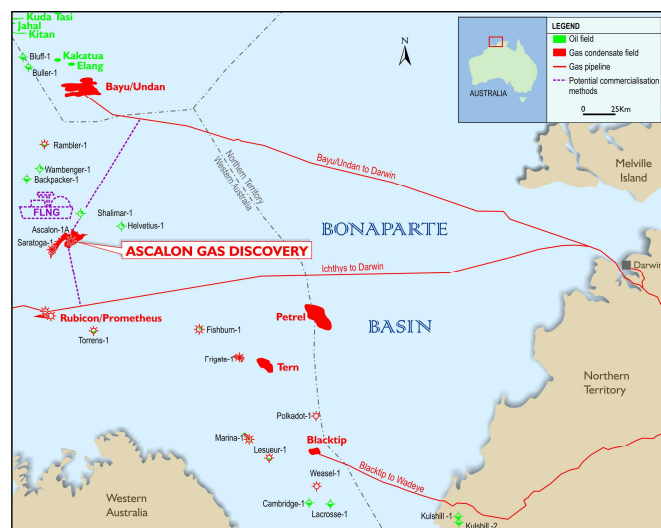
Ascalon gas accumulation location map

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.

The gas is contained in a faulted horst structure within marine sandstones of Late Permian age. Mapping of the modern 3D seismic database, which we shot over the feature, together with 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 at the Ascalon-1A well location, which is moderately down dip off the crest of the structure.

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 potential for development of nearby gas discoveries may provide opportunities for Ascalon to be developed to tie-back to other developments. The field is also located in close proximity to the Bayu-Undan pipeline to Darwin as well as the Ichthyos pipeline to the Inpex LNG facility under development in Darwin, thus offering other potential opportunities. The Ascalon Location also has the advantages of being outside the area of disputed sovereignty between East Timor and Australia.



Ascalon proximity to gas infrastructure

Octanex was advised that NOPTA considers Ascalon requires further evaluation activities, specifically relating to uncertainty regarding resource estimates and well deliverability, with corresponding development cost uncertainty and such activities should be undertaken as Exploration Permit activities rather than Retention Lease matters. Octanex accordingly initiated independent studies designed to review uncertainty including net sand, net reservoir and net pay and their impact on resource estimates and well deliverability, at the same time withdrawing the Retention Lease applications previously made in relation to WA-407-P and WA-420-P. These studies will assist Octanex in determining future workscopes in the permits.

EXPLORATION ASSETS

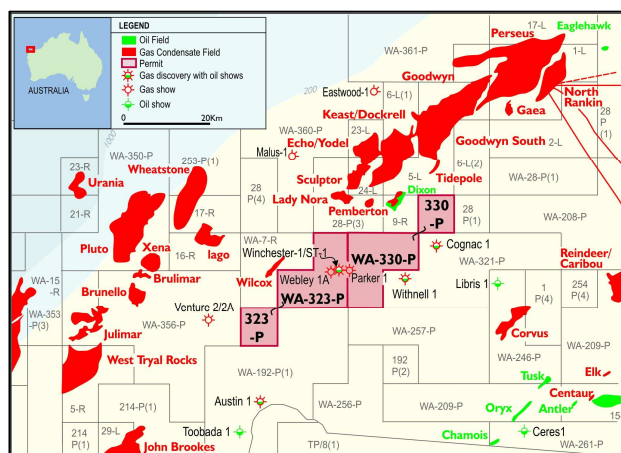
Dampier Sub-Basin

WA-323-P & WA-330-P, 25% interest

Operated by Santos

WA-323-P comprises 320 km² on the Parker Terrace, in general 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. An application for a Location was lodged by Santos during the quarter as a pre-requisite for seeking a Retention Lease over Winchester.

WA-323-P is in Year 5 which ends in April 2018 and cannot be renewed as the permit comprises only four graticular blocks. An application for suspension and extension has been lodged by Santos to provide sufficient time to apply for a Retention Lease. Octanex is carried by Santos though all activity in the current term of WA-323-P.

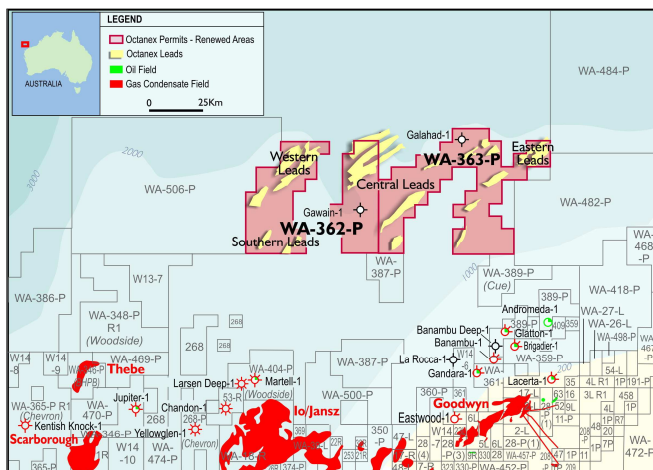


WA-323-P & WA-330-P and Winchester-1/ST1 location map

WA-330-P comprises 320 km² on the Parker Terrace, adjacent to WA-323-P. WA-330-P is in Permit Year 4 which ends in April 2018. The WA-330-P work program includes a well in Year 5 should either Santos or Octanex decide to continue into that Permit year. While Octanex is carried by Santos though all exploration activity in the current term of the permit, this carry does not extend to a well in the secondary term of WA-330-P.

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 current work program in both permits calls for reprocessing, interpretation and mapping of 2D data together with a studies program. A new 3D seismic survey and an exploration well in the last two years of each permit's term are required. Eni is carrying out critical evaluation of the prospectivity of the Permits before deciding whether to enter the final two years of the Permits.



Exmouth Plateau permits

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.

CORPORATE

Change of Share Registry

During the quarter Octanex changed its share registry to Automic Pty Ltd.

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Rae Clark

Executive Director
& Chief Operating Officer
30 October 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")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(92)	(92)
(b) development		
(c) production		
(d) staff costs	(129)	(129)
(e) administration and corporate costs	(164)	(164)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
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)	12	12
1.9 Net cash used in operating activities	(372)	(372)

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 (3 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	(111)	(111)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash used in investing activities	(111)	(111)

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		
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		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,667	5,667
4.2	Net cash used in operating activities (item 1.9 above)	(372)	(372)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(111)	(111)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held	(97)	(97)
4.6	Cash and cash equivalents at end of period	5,087	5,087

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	5,087	5,667
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)	5,087	5,667

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1	48
6.2	111
6.3	

6.2 Shareholder advance to 50% owned Ophir Production Sdn Bhd for the quarter - \$111k

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

	Current quarter \$A'000
7.1	78
7.2	
7.3	

8. Financing facilities available

Add notes as necessary for an understanding of the position

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	US\$12m	US\$8m
8.2		
8.3		

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.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	50
9.2	Development	
9.3	Production	
9.4	Staff costs	130
9.5	Administration and corporate costs	140
9.6	Other – Advance to joint venture company	1,400
9.7	Total estimated cash outflows	1,720

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: 30 October 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.