



## Quarterly Activity Report

### ACTIVITIES FOR THE QUARTER ENDED 31 DECEMBER 2014

#### HIGHLIGHTS

- > Strategic investment by Sabah International Petroleum effected
- > Activities to develop Ophir oil field continued
- > Ophir Project Bank Finance documentation completed
- > Appointment of new directors

#### OCTANEX STRATEGY

Octanex is transforming from a pure exploration focused company to a full cycle exploration and production company.

Octanex has pursued a grassroots exploration strategy over many years. Its business has been to seek prospective acreage and to upgrade that acreage through seismic acquisition and the development of attractive targets and this has been done with the intention of attracting international companies as farminees.

Octanex is implementing a change in strategy so as to reduce its exposure to exploration and to include the acquisition of near-term production assets which have the capacity to provide future cashflow generation.

Octanex has interests in two development assets, the Ophir oil field, offshore Malaysia, and the Cornea oil field, offshore Western Australia, in addition to its portfolio of exploration acreage in Australia and New Zealand. The location of Octanex's interests are shown in Figure 1 below and information follows regarding each and including current activities.



Figure 1 Octanex location of interests

#### COMPANY OVERVIEW

ASX Code	Fully paid:	OXX
	Partly paid:	OXXCB
Share price*	OXX	\$0.055
	OXXCB	\$0.001
Shares on issue	OXX::	152M
	OXXCB:	74M
Options		6.85M
	As at 31 December 2014	

#### 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

Level 21, 500 Collins Street  
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Australia

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## ASSETS AND ACTIVITIES OVERVIEW

### Ophir Oil Field Risk Service Contract, Malaysia

Octanex has a 50% interest in Ophir Production Sdn Bhd (OPSB), the joint venture company that holds the Risk Service Contract (RSC) for the development of the Ophir oil field, offshore Peninsular Malaysia.

Octanex's joint venture shareholders in OPSB are Scomi with 30% and Vestigo with 20%. Scomi is a wholly-owned subsidiary of Scomi Energy Services Bhd, a Malaysian downstream oil and gas services company listed on the Main Board of Bursa Malaysia. Vestigo is a wholly-owned subsidiary of Petronas focussed on the development of small, marginal and mature fields.

The RSC model was introduced 2011 as a new petroleum arrangement designed with the objective of intensifying upstream Malaysian oil and gas activities and developing smaller, stranded oil and gas resources. The RSC model balances the sharing of risks with fair returns for the development and production of discovered small fields. Under the terms of an RSC, the Contractor (in this case OPSB) 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 volumes as well as certain key performance indicators.

OPSB has focussed on project cost reductions since the award of the RSC. Following the decline in oil price, OPSB's cost reduction efforts have intensified and OPSB expects that such savings should enable it to generate returns for its client, PETRONAS, and shareholders, even if oil prices remain low.

Field development activities continued during the quarter. Vintage seismic data was reprocessed to

improve the imaging of the target reservoir and seismic interpretation of the reprocessed dataset commenced. Petrophysical and reservoir characterisation activities aimed at building a static geological model of the field were carried out. Once completed the static model of the reservoir will be input to the dynamic model and final development planning commenced.

Drilling basis of design and completions design work was progressed with well trajectories created and mud program under development. Initial well costings have been determined.

Facilities engineering activities continued during the quarter including review of strategies for further cost reductions. The oil price decline provides opportunities for additional savings as industry participants compete for reduced work.

### Financing

Octanex's share of the Ophir project is fully funded following execution by OPSB during the quarter of a Facilities Agreement with a syndicate of three banks (Malayan Banking Berhad (Maybank), RHB Bank (L) Ltd and United Overseas Bank Limited Offer) for term loan facilities for 75% of the planned capital expenditure for the development of the Ophir Oil Field as well as 75% of the first three quarters of the planned operating expenditure, and the Bank Guarantee in favour of PETRONAS. The tenure of the term loan facilities is up to four years.

### Cornea Retention Lease, Browse Basin

Octanex holds an aggregate 18.75% interest in the Cornea Retention Lease, WA-54-R (Lease), granted for an initial 5-year term in May 2014 and located in the Browse Basin offshore from Western Australia.

The Lease covers the Cornea Location Area of six graticular blocks (approximately 497 km<sup>2</sup>) located within what was the WA-342-P Exploration Permit and incorporates the Cornea oil and gas accumulations (Greater Cornea Fields) – see Figure 2. The Greater Cornea Fields include the Cornea

(Central and South), Focus and Sparkle Oil Fields and the Cornea North (Tear) Gas Field.

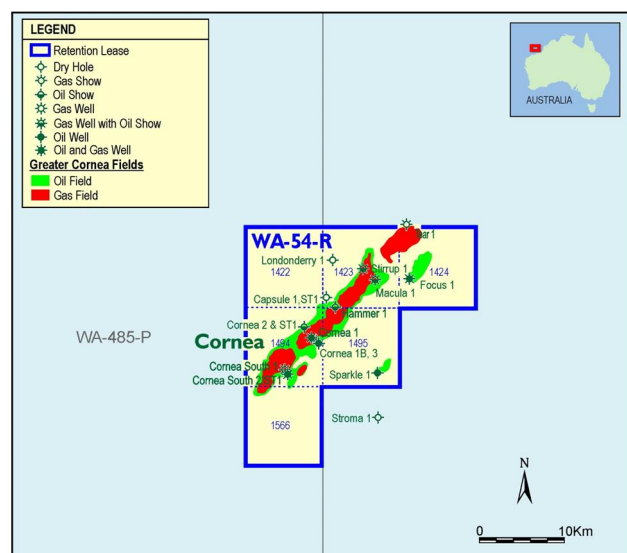


Figure 2 Cornea Retention Lease Location Map

### Work Programme designed to achieve early commercial production

The Greater Cornea Fields are seen as an economic value opportunity and the path to early development is to overcome the technical challenges to unlock that value as quickly as possible. The work programme calls for engineering and complementary studies in the first three years. In the main, the studies are a lead up to the drilling of a production test well in Year 4.

Studies are to be undertaken to overcome the technical challenges likely to be faced in bringing the Greater Cornea Fields into commercial production. The oil and gas volumes in the Greater Cornea Fields are such that, if threshold production flow rates can be demonstrated, dependent on oil price, the economics should be attractive and provide a reasonable expectation of commercial development.

### Contingent Oil Resources

The following Table 1 presents the probabilistically derived In-place and Contingent Oil Resources for the Cornea Central and South Oil Fields, with no

development risk having been applied in deriving these volumes.

Middle Albian B & C Sands	Low Estimate (P90)	Best Estimate (P50)	High Estimate (P10)	Units
Total Oil In-place	298.0	411.7	567.2	mmbbl
Recovery Factor	2	7	25	%
Contingent Oil Resources	7.9	28.8	101.9	mmbbl
Octanex Economic Interest (18.75%)	1.48	5.40	19.11	mmbbl

Table 1 In-place and Contingent Oil Resources for Cornea Central and South Fields

### Carnarvon Basin Exploration Interests

Octanex has various interests in the Dampier sub-basin and the Exmouth Plateau (Refer Figure 3)

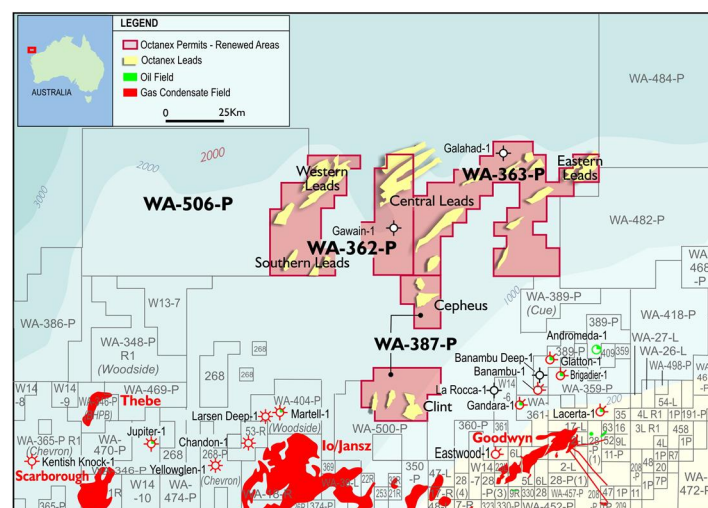


Figure 3 Carnarvon Basin Permits

## WA-323-P & WA-330-P – Dampier Sub-Basin

These permits are held by a Joint Venture consisting of:

Santos Offshore Pty Ltd (subsidiary of Santos Limited)	75% and Operator
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Octanex	25%
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WA-323-P and WA-330-P comprise a discrete project area of 640 km<sup>2</sup> on the Parker Terrace (refer Figure 4). The permits were each granted their first 5-year renewals in April 2011

The Winchester-1/ST1 discovery well was drilled from a location within WA-323-P during 2013 (shown in Figure 4). Preliminary post-well analysis suggested that the estimated size of the Winchester discovery, by itself, to be insufficient to be developed economically. Further contributions from possible deeper or adjacent hydrocarbon zones to the Winchester location would be required to augment the discovered resource. The Winchester discovery is located near existing pipeline and processing infrastructure and likely future infrastructure extensions.

There is further prospectivity in the Parker tilted fault block where the Parker-1/ST1 well in WA-330-P, located 3.2 km to the northeast of Winchester-1/ST1, drilled a separate structure and encountered gas shows in Triassic Mungaroo Formation sandstones over a 211m gross interval. These were not logged or tested before the well was abandoned.

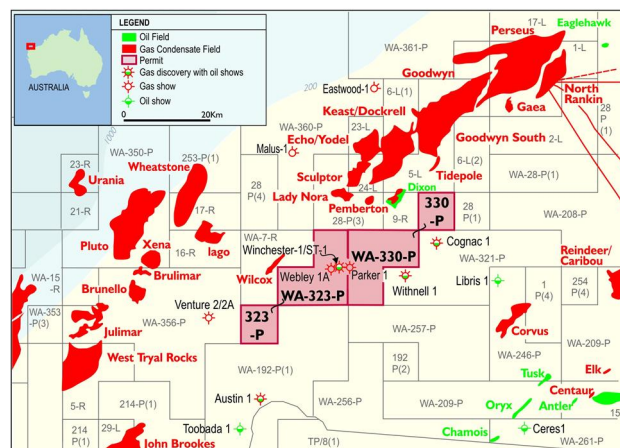


Figure 4 WA-323-P and WA-330-P and Winchester-1/ST1 Location Map

Reprocessing and re-interpretation of the 720 km<sup>2</sup> Winchester 3D seismic data set is ongoing. This work has been designed to enable better definition of the Winchester structure, in the vicinity of the Parker-1 well in particular, and over additional Triassic targets in the north of WA-330-P.

### Exmouth Plateau interests

Octanex has interests in three permits in the Exmouth Plateau as shown in Figure 5. The high-impact potential of these interests is highlighted by the recent award of WA-506-P to Statoil with a significant work commitment involving 2,000 line km of 2D seismic and 3,500 km<sup>2</sup> of 3D seismic data. WA-506-P adjoins Octanex's WA-362-P permit. In commenting on the award, Statoil noted that "this is an untested part of a prolific basin, offering significant upside potential"



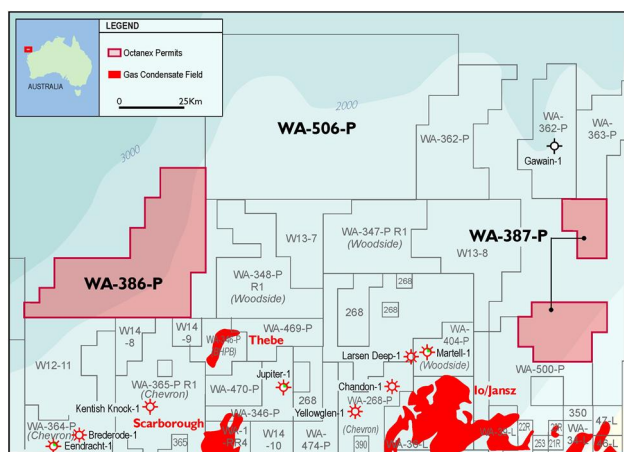


Figure 5 Location Map Exmouth Plateau Permits

#### WA-362-P & WA-363-P – Exmouth Plateau

The WA-362-P and WA-363-P Joint Ventures each consist of:

ENI Australia Ltd (Eni)	66.667% and Operator
Octanex	33.33%

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 km<sup>2</sup> – see Figure 5. The work programme in both permits calls for seabed coring and studies to be followed by a new 3D seismic survey and an exploration well in the last two years of each permit's term.

Importantly, Octanex remains 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-386-P – Exmouth Plateau

During the quarter, Octanex executed a sales and purchase agreement with Shell Australia Pty Ltd in respect of WA-386-P for consideration of \$350,000. The sale is subject to satisfaction of certain conditions precedent (FIRB approval for the acquisition by Shell, Joint Authority approval for a twelve month suspension and extension of the Year 2 work program

and receipt of consent to the dealing and transfer. It is anticipated that the conditions precedent will be satisfied in the current quarter.

#### WA-387-P – Exmouth Plateau

Octanex has a 100% interest in the WA-387-P permit which comprises an exploration area of approximately 2,419 km<sup>2</sup>.

The current work programme calls for the acquisition of 2D seismic surveys and studies. Octanex is seeking the interest of other exploration companies to join with it in this work.

#### Bonaparte Basin Exploration Interests

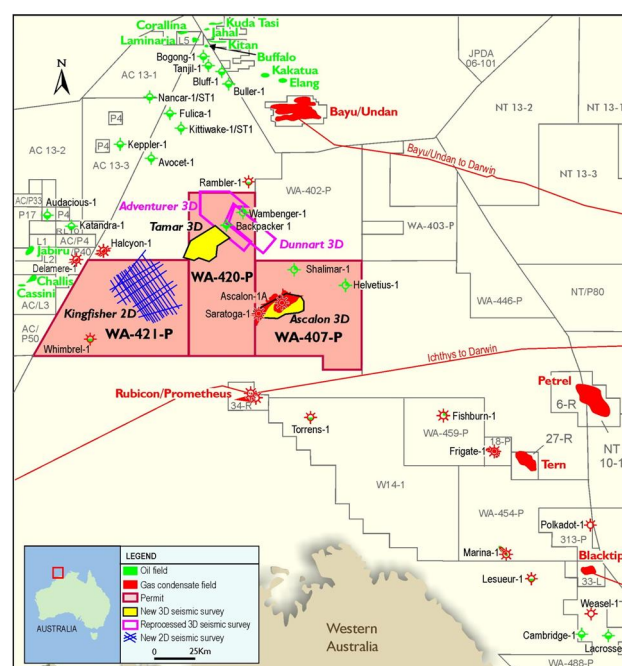


Figure 6 Location map of Bonaparte Basin Permits and Completed Seismic Surveys

#### WA-407-P, WA-420-P and WA-421-P

Octanex holds 100% interests in three adjacent petroleum exploration permits in the offshore Southern Bonaparte Basin (located predominantly offshore of the north-western coast of Australia) that comprise an area of approximately 15,535 km<sup>2</sup> in total. Those permits are WA-407-P, WA-420-P and WA-421-P and they are displayed in Figure 6.



to PEP 51906 – see Figure 8 PEP 51906, Matuku-1 and Kaka 3D Survey Location Map. A further 67.4 km<sup>2</sup> of 3D tie lines were acquired as part of the overall survey.

As a result of these and earlier 3D seismic acquisitions, the Joint Venture holds an extensive modern database over a number of attractive leads and prospects.

#### **PEP 53537 – Taranaki Basin**

The PEP 53537 Joint Venture consists of:

OMV New Zealand Limited (OMV)	65% and Operator
Octanex	35%

The PEP 53537 permit adjoins the western boundary of PEP 51906. It covers an area of 1,146 km<sup>2</sup> and has an extensive grid of 2D seismic data of various vintages.

The Kapuni Group plays are seen to be the most prospective for the permit, although possible targets in the Moki Formation are also being analysed.

#### **PEP 55790 – Taranaki Basin**

The PEP 55790 permit covers an area of approximately 518 km<sup>2</sup> and offers similar prospectivity to Octanex's other Taranaki Basin interests.

Following a 24 month period of geological and geophysical studies, Octanex can either surrender the permit or commit to acquire and process a minimum of 300 km<sup>2</sup> of new 3D seismic data.

### **CORPORATE MATTERS**

#### **Strategic Review – Response to Oil Price Decline**

During the quarter the Board conducted a strategic review in response to the decline in oil price.

Following this review, Octanex appointed Tino Guglielmo as a director, replacing Graeme Menzies

who served as a director since 2003 and is thanked sincerely for his service. A petroleum engineer with more than 30 years experience, Mr Guglielmo's appointment strengthens the Board bringing greater diversity and complement of skills.

Octanex's asset portfolio was reviewed with actions implemented as outlined throughout this report. Cost reduction measures to reduce corporate overheads and expenditure have also been implemented. Octanex believes that the measures taken following the strategic review will stand the company well to face the challenges posed by a low oil price environment.

#### **Strategic Alliance with and Funding from Sabah International Petroleum (SIP)**

In December 2014, Octanex and SIP completed documentation for transactions effecting a strategic alliance between Octanex and SIP, including funding from SIP. SIP is wholly owned by Sabah Development Bank Berhad which in turn is wholly owned by the Ministry of Finance of the State of Sabah.

In December, Octanex drew down on the SIP bridge loan facility which has a maturity date of 31 March 2015. The bridge facility is to be satisfied via the issue of securities to SIP following receipt of Octanex shareholder approval. Octanex will place 40,332,663 shares with SIP for US\$5 million. SIP will further subscribe for US\$12 million in Convertible Notes in three equal tranches with conversion prices of 15, 20 and 25 cents per share for each of the tranches. The Notes will have a redemption date of 30 June 2017 and an alternative conversion option until June 30, 2016 into a 35% shareholding in Octanex Pte Ltd.

During the quarter Kevin How and Suhnylla Kler, both nominated by SIP, were appointed as directors of Octanex.

Octanex looks forward to pursuing upstream projects with SIP in Malaysia, Indonesia and the Philippines, areas of interest to both SIP and Octanex.

## On Market Share Buy-back

On 1 April 2014, Octanex announced an on market share buy-back for up to 7,500,000 of the Company's fully paid ordinary shares. The buy-back was launched to exercise effective capital management for the benefit of Octanex shareholders and will run for a period 12 months. By the end of the quarter, a total of 194,500 shares had been acquired for a total consideration of \$20,300.

## Termination of Peak Proposed Schemes of Arrangement

During the quarter, and as a result of the strategic review conducted by the Board following the decline in oil price, Octanex decided not to extend the implementation end date for the proposed Schemes of Arrangement between Peak Oil & Gas Limited (Peak) and its members and option holders. The Schemes could not be completed by the agreed end date, and the application to the Supreme Court in relation to the Schemes was accordingly withdrawn by Peak.

Octanex continues to be a shareholder in Peak and has a loan receivable from Peak. Octanex remains supportive of Peak's endeavours and has agreed to extend the due date for Peak's debt of approximately \$1.95million until 1 March 2015. During this period detailed agreements are planned to be entered into under which Peak's debt to Octanex may be able to be satisfied, repaid, or otherwise discharged over an 18 month period, including by way of, but not limited to, proceeds of sale of assets and/or future capital raisings by Peak.

## Canning Basin

In January 2013, Octanex conditionally agreed to acquire a 25% participating interest from Oil Basins Limited (OBL) in a permit to be issued in respect of a onshore Western Australian petroleum exploration permit application area. EP 487 (Derby Block) has since been granted to OBL and Back Reef Oil Limited. Conditions precedent to the acquisition were not

satisfied by the required date of 23 January 2014. Despite Octanex granting a period of a further 365 days (to 23 January 2015) the conditions precedent were not met. Accordingly, the agreement has been terminated.

## Octanex

Octanex is used through this report to refer to Octanex N.L. and its subsidiaries.

## Rae Clark

Executive Director  
& Chief Operating Officer  
29 January 2015



# Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10, 17/12/10, 01/05/2013

Name of entity

**OCTANEX N.L.**

ABN

61 005 632 315

Quarter ended ("current quarter")

31 December 2014

### Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sale and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(370)	(643)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	10	10
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other	218	218
<b>Net Operating Cash Flows</b>		(905)	(2,272)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets		
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities	(2,256)	(5,359)
1.11	Loans repaid by other entities		
1.12	Other		
<b>Net investing cash flows</b>		(2,256)	(5,359)
1.13	Total operating and investing cash flows (carried forward)	(3,161)	(7,631)

+ See chapter 19 for defined terms.

**Appendix 5B****Mining exploration entity and oil and gas exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(3,161)	(7,631)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	6,638	6,638
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Share issue costs		
	Share buy-back	(5)	(20)
	<b>Net financing cash flows</b>	<b>6,633</b>	<b>6,618</b>
	<b>Net increase/ (decrease) in cash held</b>	<b>3,472</b>	<b>(1,013)</b>
1.20	Cash at beginning of quarter/year to date	4,301	8,507
1.21	Exchange rate adjustments to item 1.20	270	549
1.22	<b>Cash at end of quarter</b>	<b>8,043</b>	<b>8,043</b>

**Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	376
1.24	Aggregate amount of loans to the parties included in item 1.10	2,256

1.25 Explanation necessary for an understanding of the transactions

- 1.10 Loan drawdowns by Peak Oil & Gas Limited ("Peak") for the quarter - \$498k
- 1.10 Shareholder advance to 50% owned Ophir Production Sdn Bhd ("OPSB") for the quarter - \$1,758k

**Non-cash financing and investing activities**

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

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

+ See chapter 19 for defined terms.

### **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities Bridging Facility from Sabah International Petroleum Ltd – US\$12m	14,631	7,315
3.2 Credit standby arrangements		

### **Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	
4.3 Production	
4.4 Administration	700
<b>Total</b>	<b>900</b>

### **Reconciliation of cash**

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	8,043	4,137
5.2 Deposits at call	-	164
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>8,043</b>	<b>4,301</b>

### **Changes in interests in mining tenements and petroleum tenements**

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed		See Activity Report Section		
6.2 Interests in mining tenements and petroleum tenements acquired or increased		See Activity Report Section		

### **Issued and quoted securities at end of current quarter**

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity and oil and gas exploration entity quarterly report**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	151,932,898 74,278,910 33,000,000	151,932,898 74,278,910 -	- 25 cents -	- 15 cents -
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(50,500)	(50,500)	-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	1,500,000 3,350,000 2,000,000	- - -	<i>Exercise price</i> 32 cents 15.34 cents 15.34 cents	<i>Expiry date</i> 30/06/2015 21/05/2016 25/10/2018
7.8 Issued during quarter	2,000,000	-	15.34 cents	25/10/2018
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## 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 (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 29/01/15  
(Company Secretary)

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.