



Quarterly Activity Report 30 September 2015

HIGHLIGHTS

- Revised Ophir development approved, development activities underway
- Declaration of Location awarded over Ascalon Gas Accumulation
- 12 month suspension and extension obtained over WA-420-P to facilitate award of Retention Lease

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, offshore Malaysia, now targeting production in 2016. In addition to pursuing other near-term development opportunities Octanex also has interests in two appraisal assets; the Cornea oil field and Ascalon gas discovery, both offshore Western Australia.

2 appraisal assets

Exploration portfolio

Octanex's exploration interests cover six offshore permits in Western Australia. Octanex's exploration strategy is focussed on upgrading prospective acreage through geological and geophysical work with the intention of attracting international companies as farminees. Successful farm outs have resulted in Octanex being partnered with world-class operators in four of its six exploration permits.

Strategic relationships

A key element of Octanex's strategy is its relationships. In addition to its strategic alliance with Sabah International Petroleum (wholly owned by the Malaysian state of Sabah), Octanex is partnered with Scomi (Bursa Malaysia listed global service provider), Vestigo (marginal field focussed subsidiary of Petronas), ENI, and Santos.

Octanex approach

Octanex combines the flexibility and adaptability of a small company with large company discipline and rigour.

COMPANY OVERVIEW

ASX Code	Fully paid:	OXX
	Partly paid:	OXXCB
Share price*	OXX	\$0.045
	OXXCB	\$0.010
Shares on issue	OXX:	225M ¹
	OXXCB:	74M
Options		15.1M
Cash		\$6.3M
	¹ Inclusive of 33M held by trustee	
	As at 30 September 2015	

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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PORTFOLIO SUMMARY



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%
			Carried by ENI
WA-323-P & WA-330-P		🔥	25%
			Carried by Santos
WA-387-P		🔥	100%
● Bonaparte Basin			
WA-420-P	🛢️	🔥	100%

ASSETS AND ACTIVITIES OVERVIEW

DEVELOPMENT ASSET

Ophir Oil Field, Malaysia, 50% Interest

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.

The Ophir oil field is being developed via a low risk development concept involving three production wells, a single wellhead platform and export via floating vessel.

The decline in oil price allowed OPSB, in consultation with PETRONAS, to take advantage of reduced costs for goods and services in the industry to enhance and confirm the commerciality of the Ophir development in a low oil price environment. OPSB's comprehensive project cost optimization work has identified significant capital and operating cost savings. The oil price decline provides opportunities for additional savings as industry participants compete for reduced work.

During the quarter a revised Field Development Plan (FDP) incorporating cost savings of more than 30%

was approved by PETRONAS and development activities commenced.

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.

APPRAISAL ASSETS

Greater Cornea Fields, Browse Basin, 18.75% interest

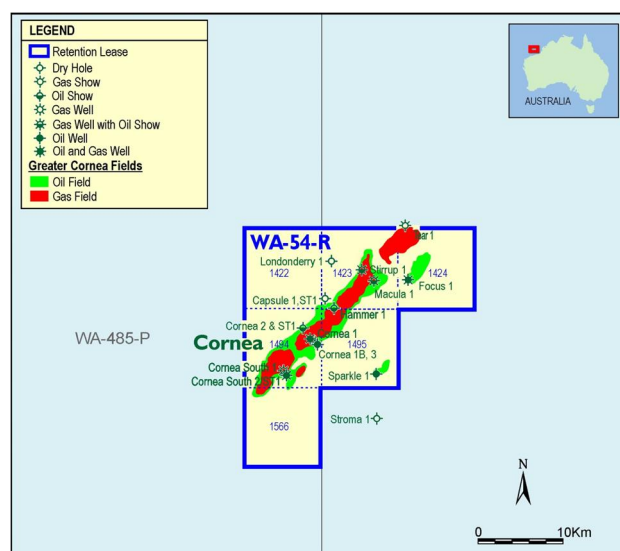


Figure 1 Greater Cornea Field Retention Lease Location Map

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 granted for an initial 5-year term in 2014.

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 should be attractive and provide a reasonable expectation of commercial development.

Middle Albian 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

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

During the quarter work commenced in relation to the Year-2 studies program which is aimed at overcoming technical challenges likely to be faced in bringing the Greater Cornea Fields into commercial production.

Ascalon Gas Discovery, Bonaparte Basin 100% interest

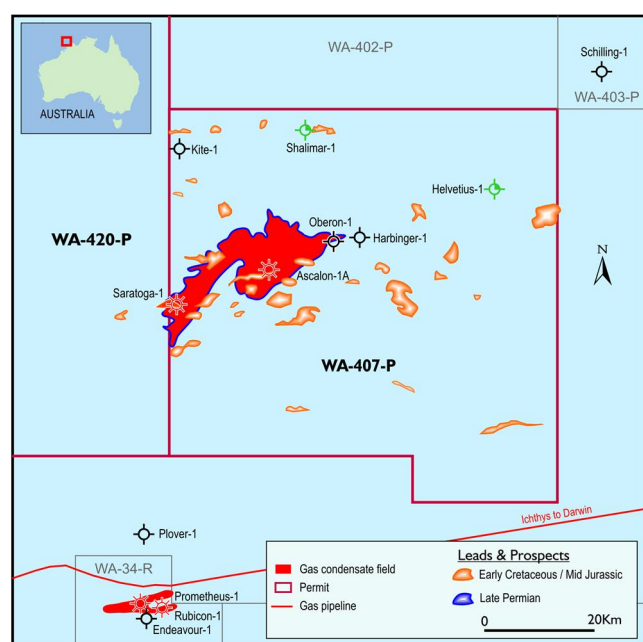


Figure 2 Ascalon Gas Accumulation Location Map

Discovered in 1995 by Mobil, the Ascalon gas

accumulation is located mostly within exploration permit WA-407-P and extending into the adjacent WA-420-P. During the quarter a Declaration of Location over the Ascalon gas accumulation in relation to those blocks within WA-407-P was granted and an application for a Declaration of Location in relation to those blocks within WA-420-P was lodged. Octanex intends to apply for a Retention Lease over the Ascalon gas accumulation.

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, 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 Table 2 below.

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

Table 2 Ascalon gas discovery – Probabilistic Contingent Gas Resources (no development risk applied)

The commerciality of Ascalon is dependent on gas market factors; both gas market demand, and 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 will, or may, be commercialised in coming years, including the Petrel and Tern discoveries. The development of other 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 Icythys pipeline to the Inpex LNG facility under development in Darwin.

No further appraisal drilling or similar work is to be undertaken at this time. Instead; Octanex will seek a Retention Lease by which it would be able to retain the acreage until access to LNG market develops.

EXPLORATION ASSETS

Carnarvon Basin Exploration Interests

Octanex has various interests in five high impact permits in the Dampier sub-basin and the Exmouth Plateau of the Northern Carnarvon Basin (Refer Figure 3). Its participation in four of these permits is presently fully carried.

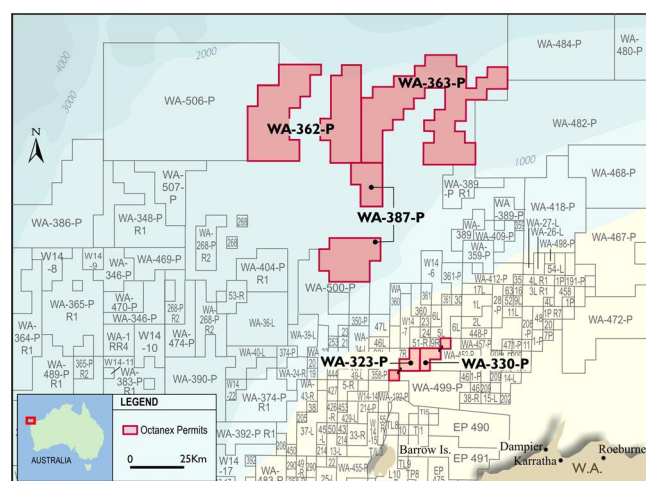


Figure 3 Octanex Carnarvon Basin Interests

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.

In WA-330-P there is further prospectivity in the Parker tilted fault block where the Parker-1/ST1 well, 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.

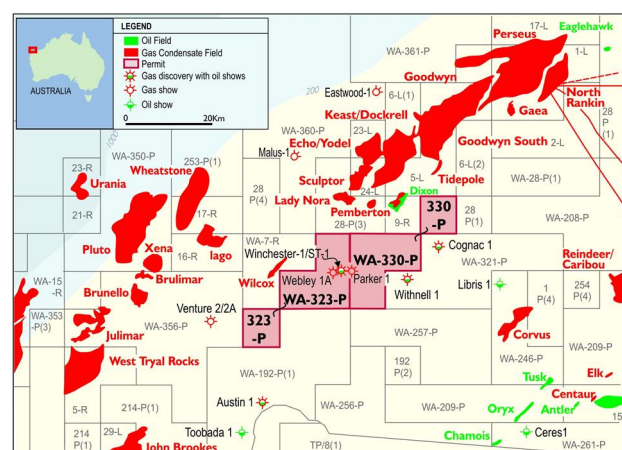


Figure 4 WA-323-P & WA-330-P and Winchester-1/ST1 Location Map

During the quarter, the reprocessed data from the 720 km² Winchester 3D seismic survey was received and interpretation commenced by the operator. The data was reprocessed with the purpose of obtaining better resolution and definition of Triassic and Jurassic targets within both of the permits. A large Triassic prospect remains untested below the TD of the Winchester-1/ST1 well within the Winchester structure and AVO supported Triassic leads also exist in north-western WA-323-P on the Wilcox/Lady Nora/Rankin Trend. In WA-330-P there are Triassic and Jurassic targets that were poorly imaged on the original Winchester 3D. These include the structure penetrated by the Parker-1/ST1 well that contained Triassic sandstones with good gas shows over 211m gross interval and there is the potential for similar

structures along the Parker Terrace towards the Dixon oil and gas discovery.

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 in Figure 5.

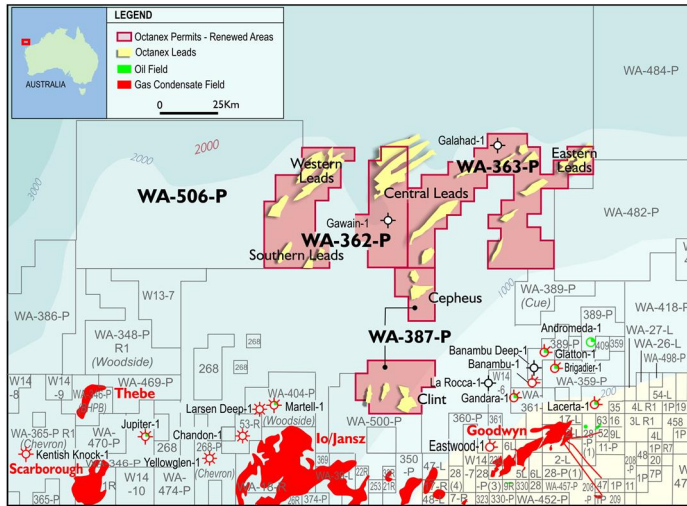


Figure 5 Exmouth Plateau Permits

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 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.

The Operator's exploration focus in these permits has expanded from a pure gas play in the Upper Mungaroo to include investigation of an early—Middle Triassic oil play within the deeper Mungaroo. During the quarter both permits were granted six month suspension and extensions.

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.

Bonaparte Basin Exploration Interest

WA-420-P – Bonaparte Basin, 100% interest

WA-420-P is adjacent to WA-407-P. The Ascalon discovery, mostly located in WA-407-P permit, extends into WA-420-P and an application for a Declaration of Location over two blocks in WA-420-P was lodged during the quarter. Octanex intends to apply for a Retention Lease over the Location area and has secured a 12 month suspension and extension of WA-420-P to facilitate such application.

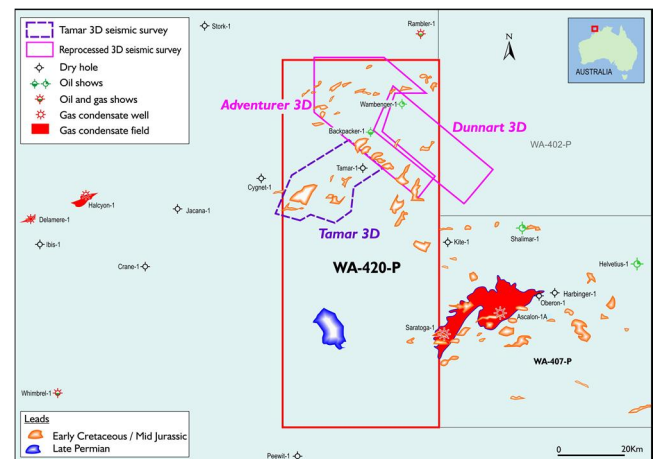


Figure 6 WA-420-P Location map

WA-420-P is also considered to be prospective for both oil and gas within several plays. The northern part of the permit is covered by 1,725km² of new

and newly reprocessed 3D seismic data which has enabled improved mapping of these plays. Oil shows were encountered within a distal equivalent of this play in the Rambler-1 well, located 7km due north of the permit. There is also potential for a stacked oil play within sandstones of the underlying Elang/Plover Formations. The permit also contains a large structure (Tamar Deep) within the Late Permian, Hyland Bay Subgroup that is prospective for gas.

New Zealand Exploration Interest

Exploration Generally

The old adage that there is “a time to hold and a time to fold” is most apt in relation to our exploration activities. In the petroleum exploration business the art is knowing when to fold and having the gumption to back that judgment. Our mantra is to explore, test and if there is nothing worthwhile to follow-up, then to move on.

While it is always possible to make the case for “further studies” and yet more new seismic acquisitions or yet another re-processing of the data, the likelihood that such additional work will improve a particular prospect or unearth a new one is exceedingly small, especially where multiple seismic surveys have been acquired previously in a mature exploration area. The ultimate test is whether others will join in to test the prospectivity, commonly known as a farmout.

In the prior financial year Octanex withdrew from four Taranaki basin permits; the New Zealand Oil & Gas Limited (NZOG) operated PEP 52593 and PEP 53473 permits were jointly surrendered by Octanex and NZOG following nearby disappointing well results which rendered as unsuccessful NZOG’s considerable farmout efforts. PEP53537 and PEP 55790 were surrendered following a prospectivity review of each permit. This left Octanex’s interest in PEP51906, operated by OMV, as its only remaining New Zealand permit interest.

Withdrawal from PEP51906

Following completion of the acquisition, processing and interpretation phase of the Kaka 3D seismic data, Octanex formed the view that the seismic survey had not produced any further information or leads other than the previously identified features which Octanex had long recognized prior to the acquisition of the Kaka 3D survey.

We made the assessment that our strategy of farmout following the shooting, processing and interpretation of the Kaka 3D was bound to be ineffectual and that our propensity or ability to farmout or to fund a future well in PEP51906 was zero.

Taking such matters to account and, not the least, our capital raising ability and oil price projections, we made the decision to withdraw from PEP51906 before Permit year end, 18 November 2015. Accordingly, during the quarter Octanex provided notice of withdrawal to the Joint Venture which notice is effective as of 31 October 2015 pursuant to the Joint Operating Agreement.

CORPORATE MATTERS

During the quarter the board resolved that no call will be made in relation to the partly paid shares (OXXCB) before the date that First Oil is produced at the Ophir field, or 31 December 2018, whichever is earlier.

The board remains committed to fiscal discipline and, in order to reduce outgoings, the directors committed during the quarter to reinvest a large proportion of their directors fees in new shares of the Company at a price of \$0.10 per share, so that this aspect of Octanex’s outgoings remains largely cash neutral.



Rae Clark

Executive Director
& Chief Operating Officer
30 October 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")

30 September 2015

Consolidated statement of cash flows

Cash flows related to operating activities

- 1.1 Receipts from product sale and related debtors
- 1.2 Payments for
 - (a) exploration and evaluation
 - (b) development
 - (c) production
 - (d) administration
- 1.3 Dividends received
- 1.4 Interest and other items of a similar nature received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes paid
- 1.7 Other

Current quarter \$A'000	Year to date (3 months) \$A'000
(123)	(123)
(405)	(405)
2	2
(526)	(526)

Net Operating Cash Flows

- 1.8 **Cash flows related to investing activities**
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
- 1.11 Loans repaid by other entities
- 1.12 Other

440	440
440	440
(86)	(86)

Net investing cash flows

- 1.13 Total operating and investing cash flows (carried forward)

+ 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)	(86)	(86)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Share issue costs		
	Share buy-back		
	Net financing cash flows		
	Net decrease in cash held	(86)	(86)
1.20	Cash at beginning of quarter/year to date	5,832	5,832
1.21	Exchange rate adjustments to item 1.20	529	529
1.22	Cash at end of quarter	6,275	6,275

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	163
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

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 \$	Amount used \$
3.1 Loan facilities – Convertible Notes	US\$12m	Nil
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	70
4.2 Development	
4.3 Production	
4.4 Administration	420
Total	490

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	6,275	5,832
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	6,275	5,832

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

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

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

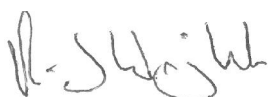
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	225,265,561 74,278,910	225,265,561 74,278,910	- 25 cents	- 15 cents
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor) * Subject to vesting criteria and expiry date adjustment	7,600,000 1,000,000 1,000,000 5,000,000 250,000 250,000	- - - - - -	Exercise Price 15.34 cents 15.00 cents 15.00 cents 15.00 cents 20.00 cents 25.00 cents	Expiry date 25/10/2018 19/05/2018 11/06/2018 11/06/2018* 01/02/2018* 01/02/2019*
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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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: 30/10/15
(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.