



OCTANEX

Quarterly Activity Report 31 December 2015

HIGHLIGHTS

- Contract awarded for Ophir wellhead platform
- Ascalon location extended

PORTFOLIO SUMMARY

OCTANEX STRATEGY

Increase production exposure

Ophir oil development

2 appraisal assets

Exploration portfolio

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

Octanex has a 50% interest in the Ophir oil field development, offshore Malaysia. Octanex also has interests in two appraisal assets; the Cornea oil field and Ascalon gas discovery, both offshore Western Australia.

Octanex's exploration interests cover five 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.

COMPANY OVERVIEW

ASX Code	Fully paid:	OXX
	Partly paid:	OXXCB
Share price*	OXX	\$0.040
	OXXCB	\$0.010
Shares on issue	OXX:	225M ¹
	OXXCB:	74M
Options		15.1M
Cash		\$4.5M

¹ Inclusive of 33M held by trustee
As at 31 December 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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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%

ASSETS AND ACTIVITIES OVERVIEW

DEVELOPMENT ASSET

Ophir Oil Field, Malaysia, 50% Interest

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

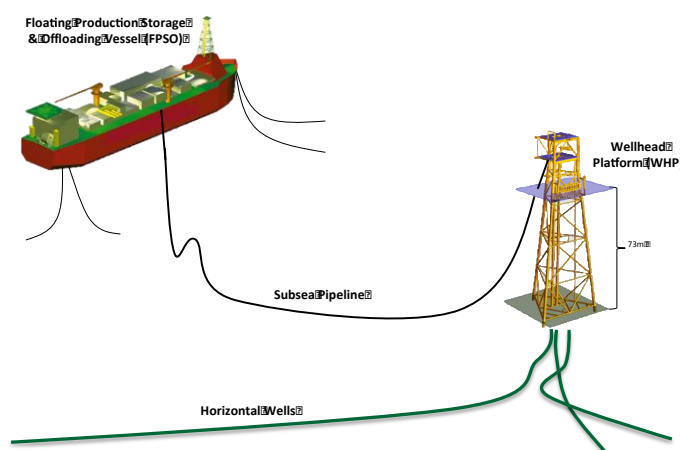
The Ophir development benefits from the current reduced industry costs and utilizes a low risk development concept involving three production wells, a single wellhead platform and export via floating vessel.

The Ophir field is being developed by Ophir Production Sdn Bhd (OPSB), under a Risk Service Contract (RSC).

During the quarter a contract was awarded for the Engineering, Procurement, Construction, Installation and Commissioning (EPCIC) of a Wellhead Platform to Muhibbah Engineering (M) Bhd (Muhibbah).

The contract award followed a successful tender by Muhibbah, a large engineering company listed on Bursa Malaysia (the Malaysian Stock Exchange), with a track record of platform construction and installation.

The Ophir platform is being fabricated at the Muhibbah yard at Klang approximately 40km south west of Kuala Lumpur.



A drilling rig market survey was conducted during the quarter in preparation for the drilling rig tender, with

downward price pressure reflected in the survey responses.

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.

APPRAISAL ASSETS

Greater Cornea Fields, Browse Basin, 18.75% interest

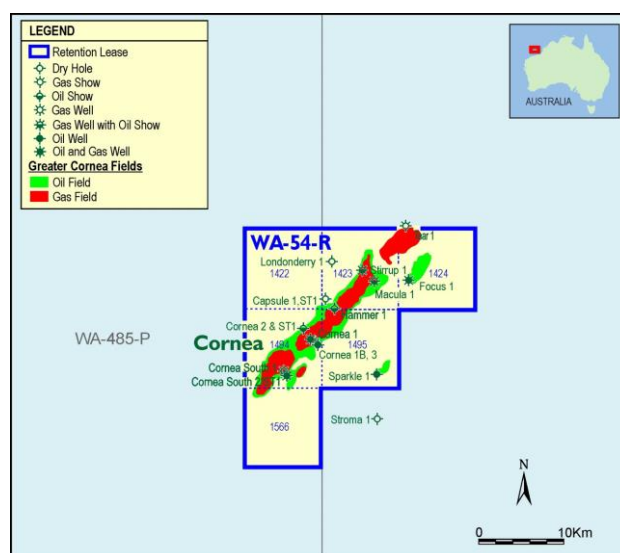


Figure 1 Greater Cornea Field Retention Lease Location Map

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.

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)

Ascalon Gas Discovery, Bonaparte Basin 100% interest

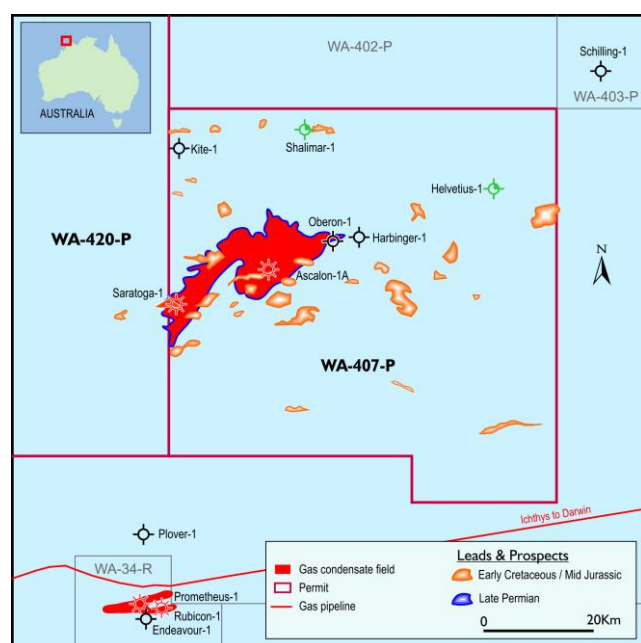


Figure 2 Ascalon Gas Accumulation Location Map

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 the Ascalon Location was extended with a Location declared two graticular blocks contained within WA-420-P was lodged. Moreover, a 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 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 Ichthyos pipeline to the Inpex LNG facility under development in Darwin.

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

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 (Refer Figure 3). Its participation in four of these permits is presently fully carried.

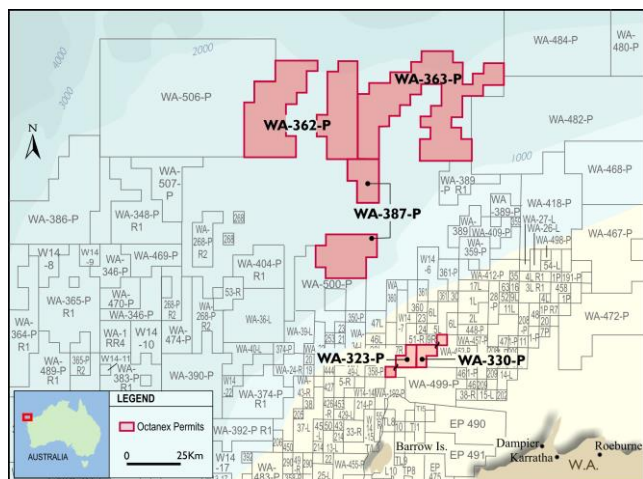


Figure 3 Octanex Carnarvon Basin Interests

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.

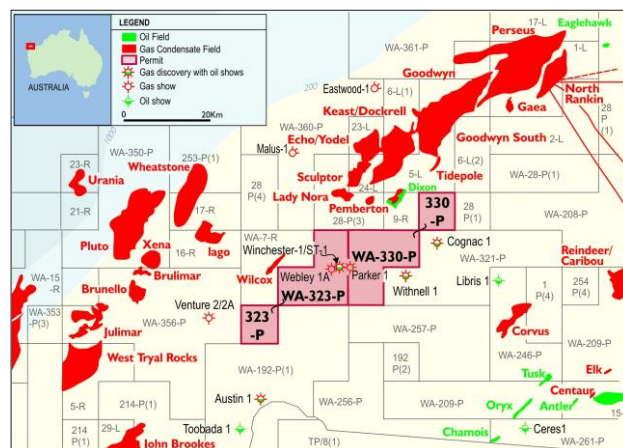


Figure 4 WA-323-P & WA-330-P and Winchester-1/ST1 Location Map

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.

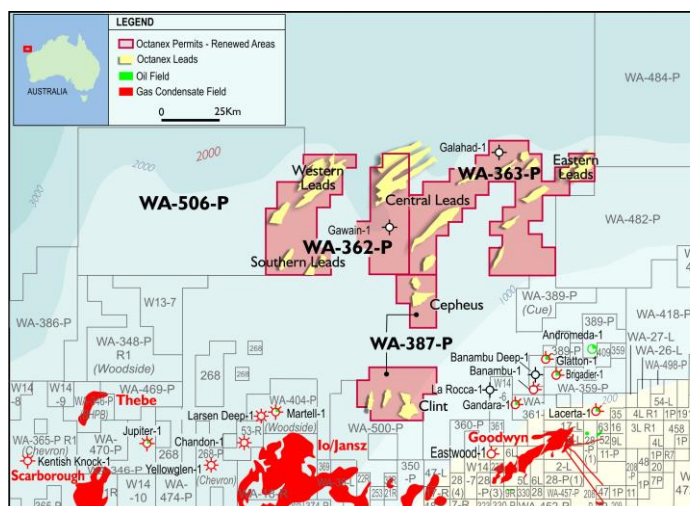


Figure 5 Exmouth Plateau Permits

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.

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.

CORPORATE MATTERS

During the quarter Octanex entered into an agreement with Peak Oil & Gas Ltd (now Peakco Limited "Peakco") whereby Octanex agreed to accept a proceeds sharing arrangement as satisfaction of the Peak loan of \$1,284,744 (plus interest). Under the agreement Octanex will share proportionately in any proceeds received by Peakco in relation to any of its Cadlao interests over the next two years. Octanex presently owns shares in Peakco representing 21% of the issued capital of Peakco and believes that the conversion of the Loan into a proceeds sharing is a positive practical outcome which also provides opportunity for that shareholding to be enhanced in value.

Rae Clark

Executive Director
& Chief Operating Officer
29 January 2016

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 2015

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
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	(61)	(184)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	3
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other	31	31
Net Operating Cash Flows		(1,057)	(1,583)
Cash flows related to investing activities			
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	(1,422)	(1,422)
1.11	Loans repaid by other entities	-	440
1.12	Other		
Net investing cash flows		(1,422)	(982)
1.13	Total operating and investing cash flows (carried forward)	(2,479)	(2,565)

+ 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)	(2,479)	(2,565)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc. **	1,020	1,020
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	1,020	1,020
	Net decrease in cash held	(1,459)	(1,545)
1.20	Cash at beginning of quarter/year to date	6,275	5,832
1.21	Exchange rate adjustments to item 1.20	(246)	283
1.22	Cash at end of quarter	4,570	4,570

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	768
1.24	Aggregate amount of loans to the parties included in item 1.10	1,422

1.25 Explanation necessary for an understanding of the transactions

1.2 Payments to a related entity of \$712k were directly funded by a company associated with a director voluntarily paying the unpaid amount on 7,200,000 partly paid shares.

1.10 Shareholder advance to 50% owned Ophir Production Sdn Bhd ("OPSB") for the quarter - \$1,422k

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

** Proceeds for share issues were received in the quarter ended 31 December 2015 but shares not issued until the following quarter.

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	100
4.2 Development	
4.3 Production	
4.4 Administration	350
Total	450

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	4,570	6,275
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,570	6,275

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 <i>(description)</i>				
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 <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i> * 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 <i>(totals only)</i>				
7.12 Unsecured notes <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: 29/01/16
(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.

+ See chapter 19 for defined terms.