

31st July 2014

Australian Securities Exchange
2 The Esplanade
PERTH WA 6000

ASX Code: PKO

QUARTERLY ACTIVITIES REPORT

30 June 2014

HIGHLIGHTS

Corporate

- Octanex and Peak have entered into an Implementation Agreement as an initial step towards the merger of the two companies, scheduled to occur in 2H14
- Peak has secured a \$2.4m loan in advance of the proposed merger together with a waiver from the ASX to Listing Rule 10.1

South Block A PSC (SBA)

- Seismic acquisition program successfully completed
- Seismic data being processed and interpreted to mature shallow oil prospect for drilling projected for the end of 2014 and deeper wet gas prospect in 2015
- High quality live oil encountered in hand drilled shallow wells near Simpang Lead
- Third party open access gas pipeline under construction, passing through SBA
- SBA providing a strong value focus for the Company

SC6 Cadlao - Cadlao Project

- Following the end of the quarter, on 27 July 2014, Peak reached a conditional settlement with Cadco, formerly Blade to its dispute over Blade's purported termination of Peak's farmin agreement

CORPORATE OVERVIEW

Proposed Merger with Octanex NL

During the quarter Peak Oil & Gas Ltd ("**Peak or Company**") (ASX Code: PKO) executed an Implementation Agreement with Octanex NL ("**Octanex**") (ASX Code: OXX), an initial step in the proposed Scheme of Arrangement ("**Scheme**") to be undertaken by Peak whereby it is proposed that Peak merge into Octanex.

The proposed Scheme consideration is the issue of 1 Octanex share for every 24 Peak shares. If the Scheme is approved by members and ratified by the Supreme Court then, in addition to the Scheme consideration, a further contingent bonus consideration will be payable by Octanex equal to a further 1 Octanex share for every 24 Peak shares. The bonus relates to Peak's interest in the Cadlao project in the Philippines which has been the subject of dispute for some time. If the dispute can be satisfactorily resolved, then the bonus consideration of a further 1 Octanex share for every 24 Peak shares will be paid.

Once the Scheme Information Memorandum is prepared, it will be submitted to the Supreme Court seeking Orders for the holding of meetings of members and optionholders in Peak subject to those Orders. The Scheme documentation will then be submitted to Peak members and optionholders for their approval. If approved, the Scheme would then return to the Supreme Court for final Orders.

Loan from Octanex NL

Prior to completion of the Scheme, Peak requires funding in order to meet its ongoing project and corporate expenses. Octanex and Peak have entered into a loan facility agreement (**Loan Facility**) with associated security documentation, whereby Octanex will fund Peak's budgeted outgoings until the end of this calendar year expected not to exceed \$2.4m. The loan will enable Peak to complete the South Block A seismic program in North Sumatra and to fund the initial costs of preparation for a well, targeting oil, later this year.

Key principles of the Loan Facility were previously released by Peak and include security in the form of a charge (**Charge**) over Peak's assets granted to Octanex to secure repayment of the Loan Facility.

Peak was granted a waiver (subject to several conditions) to Listing Rule 10.1 from the ASX in respect to the loan from Octanex as previously announced.

Repayment Plans

Provided the Scheme is successfully completed, repayment of the Loan Facility and administration of the Charge will become an internal matter for Octanex as Peak will have become an Octanex subsidiary.

Mindful of the Company's financial position, should the Scheme not be successfully completed, then Peak will have an outstanding debt to Octanex, secured by the ongoing Charge and governed by the relevant agreements. In this instance, repayment could be affected through a number of mechanisms, or a combination thereof, including:

- i. Raising new equity funds;
- ii. Refinancing the debt with Octanex or an alternate lender; or
- iii. Disposing of any assets which are otherwise released by Octanex from the Charge for the purposes of raising funds to repay the Loan Facility.

Pursuant to the conditional settlement reached with Cadco Peak expects to be paid an amount of approximately \$6.7million in early August. If and when settlement occurs, this will enable Peak to repay the loan from Octanex.

Repayment of the Loan Facility would release Peak's assets from the Charge.

PROJECTS OVERVIEW

Summary of Peak's Project Interests

Country	Project	Asset	Direct Interest	Indirect Interest
Philippines	SC6C Cadlao	Oil & Gas	25.00% ¹	16.25% ²
Indonesia	South Block A	Oil & Gas		38.25% ³
Australia	Sunday Creek	Uranium	100.00% ⁴	

¹ Interest earned by Peak and held on trust by Cadco, previously Blade Petroleum Ltd, and subject to buy-back rights held by Cadco

² Interest held through VenturOil Philippines Inc and not subject to dispute

³ Interest held through REE Pte Ltd and being earned through farmin

⁴ Access subject to execution of the relevant Heritage Agreement with Western Desert Lands Aboriginal Corporation

South Block A PSC – North Sumatra, Indonesia

Seismic acquisition program successfully completed

Peak Oil and Gas (**Peak's**) majority controlled company, Renco Elang Energy Pte Ltd (**REE**), is Operator of the South Block A (**SBA**) Production Sharing Contract (**PSC**) with a 51% working interest (Peak earning net 38.25%).

Peak, through REE, together with seismic contractor, Quest Geophysical Company, and with the assistance of our Joint Venture Partner KRX (a wholly owned subsidiary of Lion Energy Ltd), completed seismic recording operations early in the quarter, acquiring 183 km of 2D seismic. During the survey an extra three lines were acquired over the shallow Paya Bili lead due to positive results from the initial seismic. In completing the seismic survey we logged around 1.2 million man hours incurring only one, relatively minor, Lost Time Injury (LTI).

Data on field and brute stacks are of good quality and processing is nearing completion. Drilling prospects will be matured following receipt of final processed data, with a drilling location to be selected in the near term to target an attractive shallow oil prospect for drilling, to be followed by a deeper, wet gas, drill target. Early well planning is underway and an operational schedule will be finalised in the near future.

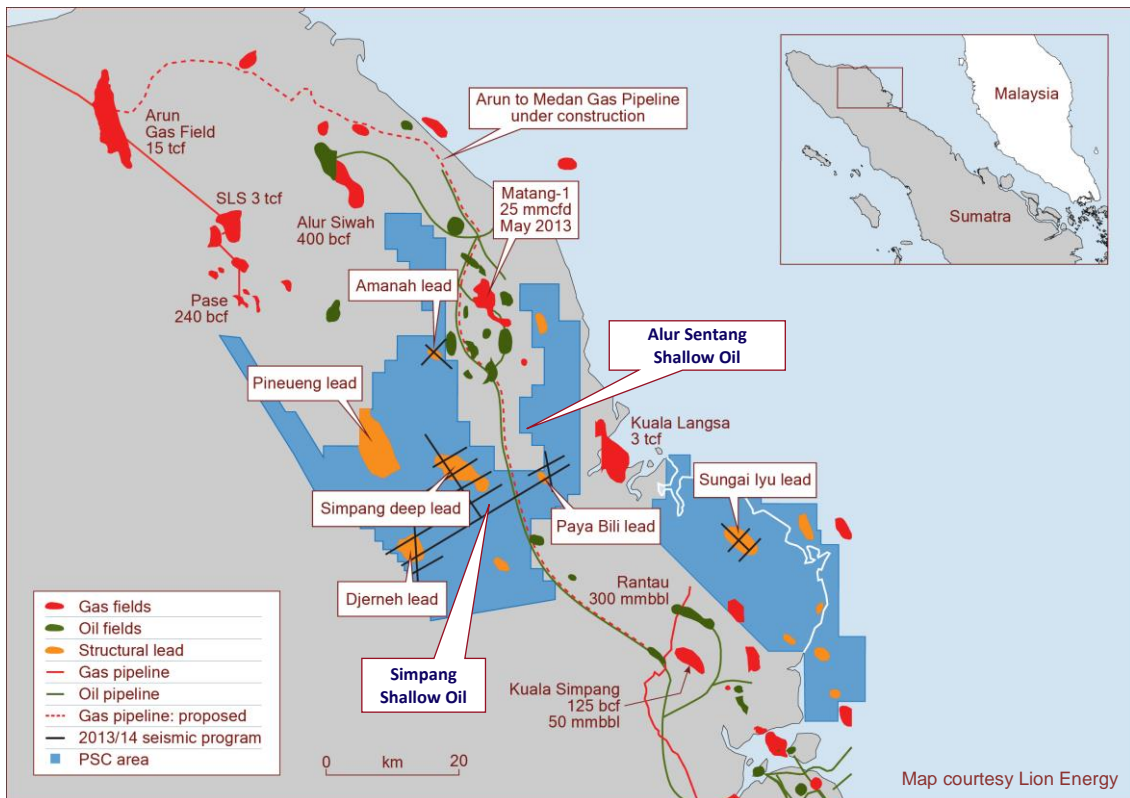


Fig 1: SBA map showing location of key leads, new seismic, shallow oil samples and gas pipeline under construction

High quality live oil encountered in hand drilled shallow wells on flank of Simbang Lead

During seismic line clearing operations over the Simbang lead, high quality, live oil was sampled from shallow wells, hand drilled by locals and producing around 100L (3-4 Jerry Cans) per day. A similar occurrence was also encountered at Alur Sentang, to the north of the Paya-Bili lead (as indicated on above map). Samples of the oil being produced were obtained and analysed indicating very high quality oil (results below).

The Simbang oil sample is described as low viscosity, brownish black liquid, smelling like a mixture of diesel and petrol. The gas chromatography (GC) profile is characterized by suites of normal paraffin's ranging from nC_5 to nC_{25+} . There is a relatively low abundance of waxy components ($>nC_{25}$) and no evidence of biodegradation. The GC fingerprint profile is consistent with the existence of light oil, confirmed by analysis as a 50° API light, high quality oil.

These shallow oil shows validate the presence of a very active petroleum system in the immediate locality, close to SBA Leads, and supports the oil potential in the block.

New gas pipeline infrastructure under construction through SBA

SBA is prospective for both oil and gas exploration with both commodities in strong demand within Sumatra. A new gas pipeline is under construction between Arun and Medan, the largest city in Sumatra and the fourth largest city in Indonesia. The pipeline passes through SBA (above map) and is reported to have a capacity of 400 MMSCF per day and will transport gas from the Arun gas facilities (including an LNG receival terminal currently being built). Peak understands it will be an open access pipeline with around 200 MMSCFD forecast spare capacity. The pipeline is located close to key prospects within the SBA permit, it represents a potentially attractive gas transportation option and could assist in commercialising any gas discovery Peak should make through its drilling program.

New seismic now being processed and interpreted to mature best prospect for drilling around the end of this year

The successfully acquired seismic data was located to mature and prioritise five oil and gas leads (shown on the above Fig 1) to prospect status, one of which will be selected for drilling later in the year.

As previously reported, the five oil and gas leads, on an aggregate basis, result in an Unrisked P50 Prospective Resource estimate¹ of 439 BCF of gas and 47 MMBBLS of oil and condensate. The largest of the gas leads has been mapped to have the potential to contain an Unrisked P50 Prospective Resource¹ of 285 BCF recoverable gas and 16 MMBBLS condensate. The shallow oil leads targeted have P50 Prospective Resources¹ ranging in size from 4 to 8 MMBBLS and represent attractive near term commercialisation opportunities.

SBA providing a new value proposition for the Company

Located in a highly regarded area of the prolific North Sumatra Basin, in close proximity to established pipelines and facilities, containing proven hydrocarbons with gas and oil flows from old wells and scheduled for new drilling, SBA is maturing as a new value proposition for the Company.

The new phase of exploration is targeting overlooked high quality, shallow oil and large scale wet gas, underpinned by growing energy demand leading to attractive gas prices in the rapidly expanding economy of the region.

The successful completion of the SBA Seismic Survey, contemporaneously with the presence of oil in hand drilled shallow wells on the flank of one of our major leads, is highly positive for the potential of the planned drilling of an attractive shallow oil target.

The construction of new gas pipeline infrastructure through SBA provides a new incentive to gas exploration in the block as a potential contribution to the increasing energy demand required to underpin the continuation of strong economic growth in the province. Peak is excited by the potential for material gas-condensate discoveries in the block to help meet the region's growing gas demand. We anticipate the completed seismic program will also mature an attractive gas-condensate prospect for drilling in 2015.

SBA Joint Venture Interests

REE (Operator)	51%	Peak controls REE, the Operator and 51% interest holder in SBA (effective prospective net to Peak of 38.25% earning through farm-in)
KRX Energy Pte Ltd (KRX)	35%	A wholly owned subsidiary of Lion Energy Ltd ASX: LIO
PT Prosys Oil & Gas	14%	

SC6 (Cadlao) - Cadlao Oilfield Re-development Project, The Philippines

Peak – Cadco Arbitration

During the quarter Peak progressed its arbitration with Cadco (**Arbitration**) in respect to its dispute with Cadco regarding the Cadlao Farmin Agreement (**Cadlao FIA**).

Following the end of the quarter, on 27 July 2014, Peak reached a conditional settlement with Cadco, formerly Blade, to its dispute over Blade's purported termination of the Cadlao FIA.

The Arbitration has been temporarily suspended at the mutual agreement of both parties following the execution of a conditional settlement deed (**Deed**). The Deed requires Peak, *inter alia*, to:

- i. transfer its interests in Peak Royalties Limited which holds certain overriding royalty rights pertaining to SC6 Cadlao;
- ii. terminate the Cadlao FIA between Peak and Cadco which effectively releases any claim Peak has to direct working interests in SC6 Cadlao (not including the VO Interest); and
- iii. terminate the Arbitration

In return, Cadco will pay Peak an amount of c.\$6.7m.

The parties have agreed that settlement will take place on 6 August 2014, failing which the parties, unless otherwise agreed, will resume their original commercial and legal positions and the Arbitration will be immediately recommenced.

If, and when settlement occurs, it will enable Peak, to repay its loan from Octanex (\$945,000 at 30 June 2014) and will enable the release of Peak's assets from the charge securing that loan.

Further, the scheme consideration in relation to the proposed merger between Octanex and Peak (under which Octanex proposes to acquire all of the shares in Peak in exchange for new Octanex shares) would be increased from the issue of one (1) Octanex share for every 24 Peak shares to the issue of two (2) Octanex share for every 24 Peak shares.

This is because in addition to the scheme consideration of one (1) Octanex share for every 24 Peak shares, the scheme proposal provided for a further contingent bonus consideration equal to a further 1 Octanex share for every 24 Peak Shares if certain conditions precedent in relation to Peak's interest in the Cadlao project were satisfied.

The relevant condition precedent to this bonus consideration being payable was that Peak "sold or disposed of such Initial Interest and any Farmin Interest it was acquiring pursuant to the Cadlao Farmin Agreement to Cadco . . . with such sale or disposition having been completed and with Peak . . . actually receiving, the proceeds of sale or disposition thereof to its own account absolutely."

The receipt of \$6.7 million by Peak is expected to satisfy this condition precedent so that, subject always to the scheme coming into effect, the scheme consideration will comprise one (1) Octanex share for every twelve (12) Peak shares.

Cadlao Project Valuation

The Cadlao Project continues to represent a potentially attractive investment for Peak given its 1P and 2P reserves and location within the Philippines' generous fiscal system. Under the Farmin Agreement, Peak initially assumed the role of SC6 Cadlao Operator and commissioned Gaffney Cline and Associates ("GCA") to certify the Cadlao field's recoverable reserves and estimate the economic value of the Cadlao Project using Peak's planned development solution. This resulted in a Proved + Probable (**2P**) reserves estimate of 6.05 mmbbl and project NPV of around US\$136m (each on a 100% basis).

Cadco (as Operator) has selected a different development solution to that previously advocated by Peak. Further, the passage of time has resulted in cost increases as the markets for certain goods and services in the oil and gas sector continue to tighten. Cadco has advised the SC6 Cadlao JV that it commissioned GCA to update their previous report to Peak using

Cadco's development solution and reflecting current industry cost estimates. As Operator, Cadco reported to the joint venture that their new development solution and associated cost increases had reduced project NPV by around 10% and that the 2P reserves had consequently reduced by around 7%.

Based on this information, Peak has concluded that the Cadlao Project remains highly attractive with 2P reserves estimated at around 5.6mmbbl and a predicted NPV of US\$120 – 125m to the SC6 Cadlao JV on a 100% basis after government take.

Peak's VenturOil Interest

In addition to the 25%WI held on trust by Cadco, Peak also holds a prospective 16.25% indirect economic interest through its partial ownership of VenturOil Philippines Inc (**VenturOil**) which the Company acquired from Clove Capital Partners Limited in July 2012. This interest is not in dispute.

In accordance with the purchase terms, Peak is obligated to fund VenturOil's full 20% direct interest in the Cadlao Field which, on current capex estimates, is likely to be US\$9 – 12m including costs accrued to date, plus make payments of US\$1.4m from each of the first two sales cargoes. Each cargo is likely to result in gross revenues to Peak in excess of US\$7m, subject to size and oil price. In accordance with the farmin terms agreed between VenturOil and Cadco, VenturOil is not required to contribute to the funding of the Cadlao Project until the first development well is spudded. On current scheduling, spudding would take place a few months prior to first oil from the Cadlao Project which closely ties project funding with project revenues.



Fig 11: Cadlao Oilfield Redevelopment surrounded by successful field developments

Minerals Projects

Peak remains focused on its oil and gas portfolio and continues to review options for monetizing the Company's remaining minerals projects. Peak believes its Sunday Creek project will provide future value to shareholders when the uranium sector recovers and the Company remains open to offers from interested parties.

Jeff Steketee
Managing Director

Definition of Prospective Resources and Risk Factors

¹Prospective resources are those quantities of petroleum estimated, as at a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery (geological chance of success, or GCOS) and a chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The chance of commerciality is the product of these two risk components. There is no certainty that any portion of the prospective resources will be discovered and, if discovered, there is no certainty that it will be developed or, if it is developed, there is no certainty as to either the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Various statements in this release constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, expectations, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed in this report.

Furthermore, exploration for oil and gas is speculative, expensive and subject to a wide range of risks. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional adviser as to the suitability for them of an investment in the Company.

For further information please contact:

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Jeff Steketee, Managing Director

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Appendix 5B

Mining 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

Name of entity

Peak Oil & Gas Limited

ABN

79 131 843 868

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'ooo	Year to date (12 months) \$A'ooo
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(707)	(2,036)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(302)	(1,623)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	6
1.5	Interest and other costs of finance paid	-	(2)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) – JV adjustment	-	-
Net Operating Cash Flows		(1,007)	(3,655)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(7)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	7	12
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material) – Investment in associate	(18)	(166)
Net investing cash flows		(11)	(161)
1.13	Total operating and investing cash flows (carried forward)	(1,018)	(3,816)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,018)	(3,816)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,803
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	945	945
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	945	2,748
	Net increase (decrease) in cash held	(73)	(1,068)
1.20	Cash at beginning of quarter/year to date	211	1,206
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	138	138

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

		Current quarter \$A'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	138
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Director fees

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

Nil

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

Nil

+ 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	2,360	945
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	228
4.2 Development	-
4.3 Production	-
4.4 Administration	344
Total	572

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	138	211
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	138	211

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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.

		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	680,253,247	680,253,247	N/A	N/A
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>	69,207,569 200,000 17,800,000 100,000 20,000,000	- - - -	<i>Exercise price</i> \$0.05 \$0.40 \$0.50 \$0.05 \$0.28	<i>Expiry date</i> 31/12/2014 31/12/2014 31/12/2014 01/08/2015 25/11/2016
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)		
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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:



 (Director)

Date: 30 June 2014

Print name: Jeff Steketee

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 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, 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.

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