

19 September 2014

Australian Securities Exchange
2 The Esplanade
PERTH WA 6000
ASX Code: PKO

ADDITIONAL INFORMATION REGARDING PROPOSED MERGER BETWEEN PEAK AND OCTANEX NL

Following enquiries from ASX, Peak Oil & Gas Limited ("**Peak**") provides additional information regarding the proposed merger between Octanex NL ("**Octanex**") and Peak. It is intended that Peak members ("**Members**") will exchange their ordinary fully paid shares in the capital of Peak ("**Shares**") in exchange for the issue and allotment to them of fully paid shares in the capital of Octanex ("**New Octanex Shares**"). References to Peak herein include references to its subsidiaries where applicable. Peak holds its interests in REE, SC6 Cadlao and VenturOil Philippines Inc through wholly owned subsidiaries. All persons reading this release should understand that it is general in nature.

Two schemes are proposed to be entered into between Peak and its Members and Peak and its Optionholders. They are a Share Scheme and an Option Scheme. If the Share Scheme comes into effect under the Corporations Act, Peak will become a wholly owned subsidiary of Octanex and the Members will have exchanged their Shares for New Octanex Shares. If the Option Scheme comes into effect, the Peak Optionholders will have exchanged their unlisted options to acquire shares in Peak for unlisted options to acquire shares in Octanex ("**New Octanex Options**").

The Share Scheme

The Share Scheme is subject to a number of conditions precedent. These are the "**SBA Conditions Precedent**" which are conditions precedent to the Share Scheme coming into effect. Briefly, other than the approval of Members and the Court they are that, as at 9.00 am on the Second Court Date:

1. there are no orders, decisions or decrees which restrain or prohibit or threaten to restrain or prohibit the Share Scheme becoming Effective and being able to be implemented in accordance with its terms and that there are no such orders decisions or decrees and no threatened orders, applications, decisions or decrees which would restrain or prohibit or threaten to restrain or prohibit or otherwise materially adversely impacts the effectiveness or enforceability of any of;
 - (a) the South Block A Contract ("**SBA Contract**" being the Production Sharing Contract under which the right to explore the South Block A Contract Area was granted);
 - (b) the SBA JVOA (being the Joint Venture Operating Agreement entered into between the Contractor Parties to the SBA Contract and which regulates the manner in which those parties conduct their exploration of South Block A);
 - (c) the REE Shareholders Agreement being the agreement entered into between the shareholders in Renco Elang Energy Pte Ltd ("**REE**"), in which Peak has now acquired a 75% shareholding. REE has a 51% Participating interest in the SBA Contract under the SBA JVOA.
 - (d) Operations under any of the foregoing;

2. subject to Octanex having funded Peak under the Loan Agreement also entered into on 19 May 2014;
 - (a) The SBA Contract is in good standing with SKKMIGAS (formerly Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas Bumi), representing the Government of Indonesia and that SKKMIGAS has not cancelled or given any notice of intention to cancel the SBA Contract;
 - (b) Save for any dilution of REE's interest in the SBA Contract pursuant to any farmout of an interest therein made in accordance with the SBA JVOA, which farmout is approved by Octanex or otherwise as may be agreed by Octanex, REE shall have retained its present 51% interest in the SBA Contract free of all Encumbrances, shall not have entered into any dealing in relation thereto;
 - (c) REE is in good standing, is not in material breach of either the SBA JVOA or the REE Shareholders Agreement and has not suffered any event which would constitute a Material Adverse Change or a Prescribed Occurrence or any event or state of affairs equivalent to or analogous thereto under the laws of Indonesia;
 - (d) REE not having given notice of resignation as Operator under the SBA JVOA or being removed as Operator under the SBA JVOA;
3. Peak shall have fulfilled its funding obligations under the REE Shareholders Agreement, such that it has earned its right to be issued shares in REE so that it holds 75% of the issued capital of REE as contemplated by the REE Shareholders Agreement. Peak has earned its 75% interest in REE utilising funds advanced by Octanex for that purpose. Accordingly, this Condition Precedent has been satisfied.
4. Peak shall not have:
 - (a) suffered any Material Adverse Change or any Prescribed Occurrence. These primarily relate to Peak not becoming insolvent or restructuring its capital etc in any way.
 - (b) become in material breach of the REE Shareholders Agreement which breach has not been remedied.
 - (c) dealt in any of its shares in REE, or its right to be issued shares in accordance with the REE Shareholders Agreement, or resolved, to dispose of any such shares or such right to be issued any such shares.
5. REE shall not have become in default under the SBA JVOA so that REE's 51% Participating Interest in the SBA JVOA and the SBA Contract becomes subject to forfeiture.
6. the SBA Joint Venture shall not have become in material breach of the SBA Contract which has not been remedied or which is not remediable.
7. Peak shall not have become in material breach of the Loan Agreement under which it is borrowing moneys from Octanex and that it not be in breach of the Charge securing repayment of those moneys to Octanex.
8. the New Octanex Shares to be issued to Share Scheme Members comprising the Share Scheme Consideration (one (1) New Octanex Share for every twenty-four (24) Shares shall have been approved for official quotation by ASX prior to the Second Court Date subject to the Share Scheme becoming Effective.
9. if required by ASX under the ASX Listing Rules or the Corporations Act, Octanex has convened any requisite meeting of its Members and passed resolutions to approve the

issue of the New Octanex Shares comprising the Scheme Consideration and the grant of New Octanex Options being the Option Scheme Consideration and any resolution required to permit the Mr E G Albers and his Associates participating Schemes in like manner as any other Member or Optionholder of Peak.

At this stage there are no matters of which Peak is aware that would result in any of the SBA Conditions Precedent not being able to be satisfied or otherwise complied with.

The Scheme Consideration payable under the Share Scheme is New Octanex Shares.

The Option Scheme

Under the Option Scheme, the unlisted Options held by Optionholders in Peak will be cancelled in exchange for New Octanex Options. The New Octanex Options will be unlisted unless there is sufficient spread thereof to satisfy ASX requirements for the listing thereof.

The only condition precedent to the Option Scheme coming into effect is that the Share Scheme comes into effect. It is not a condition precedent to the Share Scheme coming into effect that the Option Scheme comes into effect.

The ratio in which Options are exchanged for New Octanex Options will be based on the value of the existing Peak Options and the proposed New Octanex Options under Black Scholes valuations of each of them to be carried out by the independent expert to be appointed by the independent directors of Peak to opine as to whether:

- (a) the Share Scheme is, or is not, fair and reasonable and in the best interests of the Non-Associated Shareholders in Peak (being those members of Peak other than Octanex, Mr Albers and his Associates and Mr Frank Jacobs and his associates).
- (b) the Option Scheme is, or is not, fair and reasonable and in the best interests of the Non-Associated Optionholders in Peak (being those Optionholders other than Octanex, Mr Albers and his Associates and Mr Frank Jacobs and his associates).

At this stage the independent directors have not yet appointed an independent expert for this purpose.

The Cadlao Bonus Payment

As set out in Peak's interim financial statements for the half year ended 31 December 2013, Peak has fully impaired its interest in SC6 Cadlao. Its interests therein are through the Cadco Farmin Agreement, which remains the subject of arbitration and litigation ("the Cadco Farmin Dispute"), and through a shareholding in VenturOil Philippines Inc, a company incorporated in the Philippines.

The structure of the Share Scheme recognises that no value is presently attributable for any of those interests in Cadlao but that, in due course, they may become valuable.

The Cadlao Bonus Payment, which, if it is made, will be up to a further One New Octanex Share for every twenty-four Shares, recognises this possibility.

There are two principal circumstances which, if the Share Scheme comes into effect, will trigger the Cadlao Bonus Payment. These are:

- (a) there is a settlement of the Cadco Farmin Dispute, or a resolution of the litigation and arbitration in respect thereof, under which Peak is paid and receives the moneys calculated as due to it. A conditional settlement agreement under which Peak was to receive \$6,700,000 in settlement of that dispute was announced to ASX on 28 July 2014, but failed to complete. If such a settlement or resolution occurred after the Schemes become effective, such a payment to Peak would trigger the Cadlao Bonus Payment, as it would effectively reflect value in SC6 Cadlao.

- (b) the Cadlao Project proceeds with the development of the Cadlao oilfield within SC6 Cadlao and the recovery of oil from the Cadlao oilfield in accordance with an approved Cadlao Development Program before June 2015 (in accordance with the requirements of the Philippines DOE as announced by Peak to ASX) with Peak retaining its initial interest in SC6 Cadlao which it earned under the Cadco Farmin Agreement or Peak perfecting and retaining its indirect interest to a 16.25% net economic interest in SC6 Cadlao through its shareholding in VenturOil Inc as previously reported by Peak.

The Cadlao Conditions Precedent are directed to these matters and are extensive. In summary, if Peak's interest in SC6 Cadlao under the Cadco Farmin Agreement is bought out by Cadco on terms as announced to the market, whether before or after the Share Scheme becomes effective, the Cadlao Bonus Payment will be made. If that does not occur, the Cadlao Bonus Payment will not be made until or unless the Cadlao Project is developed, which is a long term prospect.

In summary, the Cadlao Bonus Payment reflects that an asset, or series of assets, (Peak's various interests in SC6 Cadlao) might increase in value, either in the case of a settlement of the Cadco Farmin Dispute, by Cadco acquiring same, or otherwise, because subsequent to the Schemes becoming effective, Octanex and Peak are able, in conjunction with third parties, create value where it presently does not exist.

Timetable

The timetable for the implementation of the Schemes will not be ascertainable until the following events have taken place.

- (a) The Independent Directors for the purpose of the Schemes (being those Directors independent of Octanex and/or Mr Albers and his associates) appoint an independent expert to consider whether the proposed schemes are, or are not, fair and reasonable and are, or are not, in the best interests of the Non-Associated Members and Optionholders of Peak. For this purpose any independent expert will need to value the interests of the Members and Optionholders both as they exist before and as they exist after implementation of the schemes. That process is entirely within the control of the independent expert appointed and not subject to direction or control by Peak or its directors.
- (b) The Independent Directors appoint an independent tax expert to advise on the tax consequences of the schemes for Peak, and its security holders generally.

For each of (a) and (b) to be possible, the independent experts so appointed will require a final draft of the proposed scheme booklet, being the Explanatory Statement required to be despatched to members and optionholders of Peak in accordance with the requirements of the Corporations Act.

The proposed scheme Booklet is presently being drafted but will not be complete until the audited accounts of each of Peak and Octanex are available so that the Scheme Booklet can be based on the latest audited financial statements of both companies. It is anticipated that those audited financial statements will be available shortly.

Once a draft scheme booklet has been prepared it will be subject to appropriate due diligence by Peak and its advisors and, on that process being complete, provided to each of the independent experts so they may prepare their respective reports.

How long it will take for the independent expert appointed to opine on whether the Schemes are fair and reasonable to finalise its report will depend on the on the valuation methodologies which that independent expert may consider, in his absolutely unfettered discretion, to be appropriate for the purpose.

Once the independent experts have provided their independent reports a draft Explanatory Statement (Scheme Booklet) will be lodged with ASIC in the normal manner. ASIC is entitled to a minimum of 14 days in which to consider the Explanatory Statement. It should be noted that, in many cases, review by ASIC takes significantly longer than that period.

After ASIC has reviewed the Explanatory Statement, Application would be made to the Court for Orders convening the proposed Scheme Meetings. It is anticipated that the Scheme Meetings would be held some five to six weeks after the Court ordered the meetings to be held so as to give time for the Scheme Booklets to be printed and despatched to those persons entitled thereto.

Assuming that the scheme meetings approved the schemes, it is anticipated that final court approval would be obtained in a further 10 to 14 days thereafter.

At this stage it is not possible to provide a more detailed timeline for implementation of the schemes. When this is possible it will be provided to shareholders.

For further information please contact:

www.peakoil-gas.com

info@peakoil-gas.com

Jeff Steketee, Managing Director

+61 8 6143 1800