






# OCTANEX

## Quarterly Activity Report 31 March 2016

### HIGHLIGHTS

-  Ophir Oil Development Project commences with wellhead platform construction
-  Ascalon Retention Lease application lodged
-  Director share transactions demonstrate confidence in Octanex strategy

### PORTFOLIO SUMMARY

*Increase production exposure*

*Ophir oil development*

*2 appraisal assets*

*Exploration portfolio*

### OCTANEX STRATEGY

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 pre-development 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 five exploration permits.



PROJECTS	OIL	GAS	INTEREST
<b>DEVELOPMENT</b>			
Ophir Oil Field			50%
<b>APPRAISAL</b>			
Greater Cornea Fields			10.75%
Ascalon Gas Discovery			100%
<b>EXPLORATION</b>			
Cornea Basin			
WA-382 P & WA-383 P			33.33% Controlled by 100%
WA-383 P & WA-380 P			25% Controlled by 100%
WA-383 P			100%

### COMPANY OVERVIEW

ASX Code	Fully paid:	OXX
	Partly paid:	OXXCB
Share price*	OXX	\$0.035
	OXXCB	\$0.010
Shares on issue	OXX:	232M <sup>1</sup>
	OXXCB:	67M
Options		15.1M
Cash		\$4.5M
	<sup>1</sup> Inclusive of 30M held by trustee	
	As at 31 March 2016	

### 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
Suhnnyla Kler	Non-Executive Director

### CONTACT DETAILS

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[www.octanex.com.au](http://www.octanex.com.au)

## ASSETS AND ACTIVITIES OVERVIEW

### DEVELOPMENT ASSET

#### Ophir Oil Development Project, Malaysia

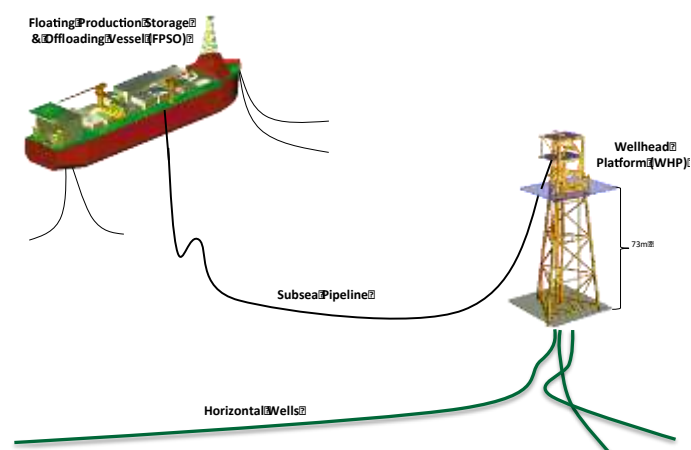
Octanex has a 50% interest in the development of the Ophir oil field offshore Peninsular Malaysia.

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 OPSB celebrated a key project milestone with the First Steel Cutting Ceremony marking the commencement of construction of the Ophir Development wellhead platform.

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



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.



## PRE-DEVELOPMENT ASSETS

### Greater Cornea Fields, Browse Basin, 18.75% interest

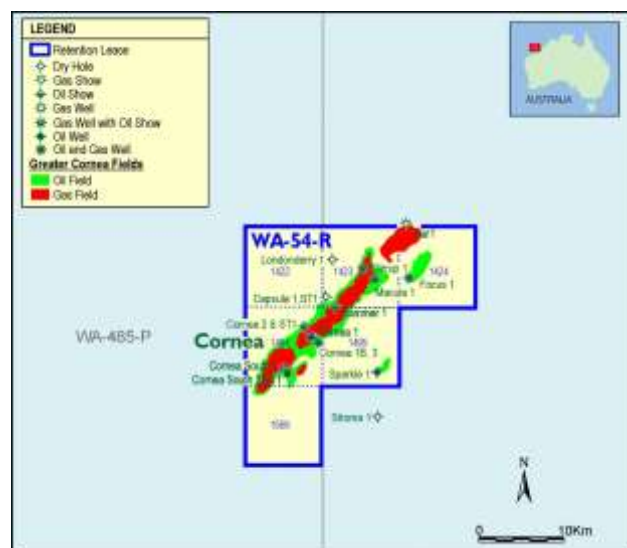


Figure 1 Greater Cornea Field Retention Lease Location Map

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 (WA-54-R).

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)

The WA-54-R work program is aimed at overcoming technical challenges likely to be faced in bringing the Greater Cornea Fields into commercial production.

During the quarter Year-2 work program activities were progressed, particularly economic studies. In addition to economic modelling, other commercial work included regulatory and approvals matters for a Year-4 production test well.

Technical work included drilling studies, particularly focusing on the use of technology to address key uncertainties. Additional field development work focused on an appropriate production system, presently the preferred configuration being a Mobile Drilling and Production Unit (MODPU) and tanker, as well as identification of required metocean data.

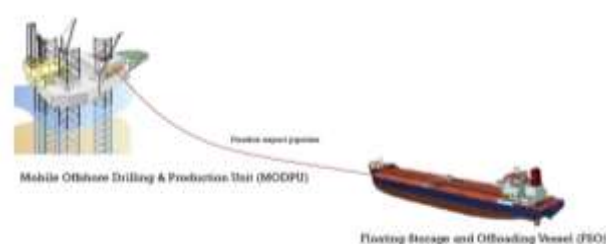


Figure 2 Presently Preferred Field Development Configuration

### Ascalon Gas Discovery, Bonaparte Basin 100% interest

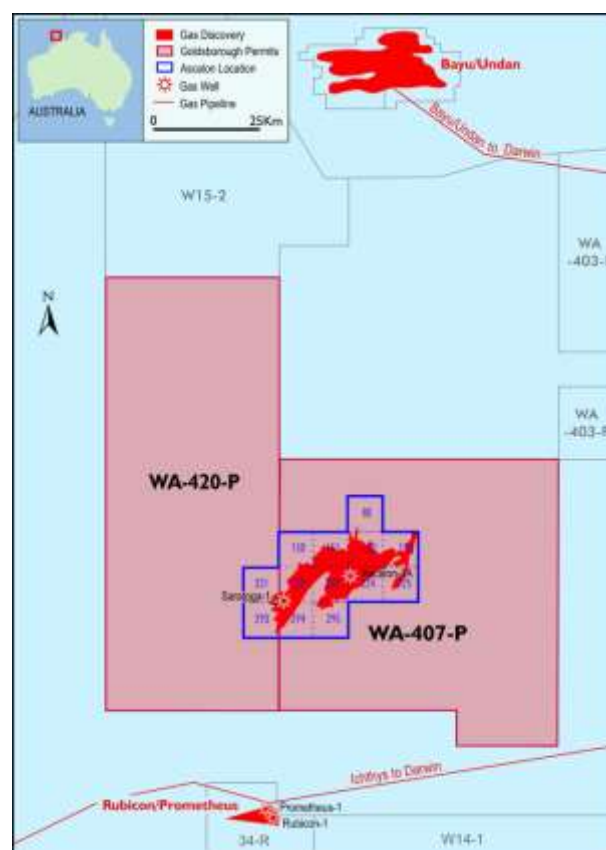


Figure 3 Ascalon Gas Accumulation Location Map

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. An application for a Retention Lease over the Ascalon gas accumulation was lodged during the quarter to enable Octanex to retain the acreage until access to LNG market develops.

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 260km<sup>2</sup> 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, considered to be 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.

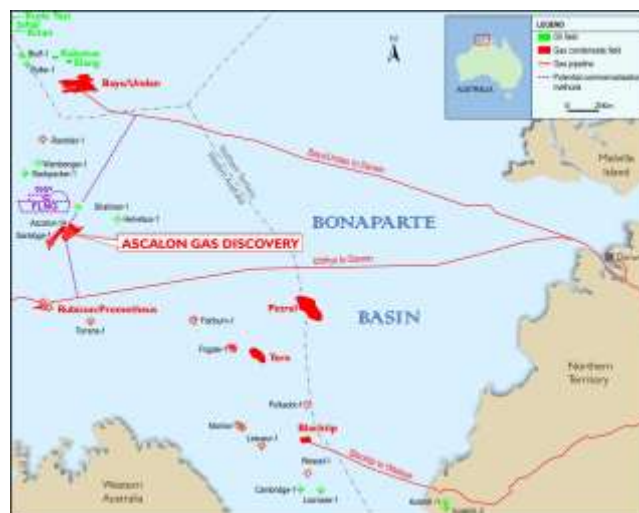
	P90	P50	P10
Contingent gas resource (TCF)	1.04	3.01	8.74
Octanex 100% interest			

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

The commerciality of Ascalon is dependent on gas market factors; gas market demand and consequent 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 the Bayu-Undan pipeline to Darwin as well as the Icythys pipeline to the Inpex LNG facility under development in Darwin (refer Figure 4).



**Figure 4 Ascalon Proximity to Gas Infrastructure**

## 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 5). Its participation in four of these permits is presently fully carried.



**Figure 5 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 km<sup>2</sup> 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.

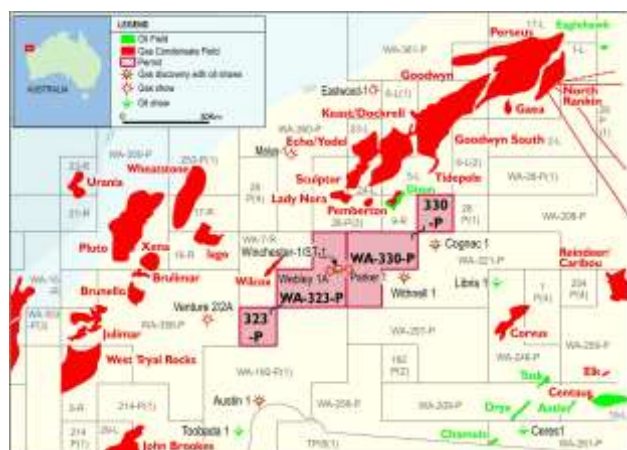


Figure 6 WA-323-P & WA-330-P and Winchester-1/ST1 Location Map

Interpretation of the reprocessed data Winchester 3D seismic survey by the operator is continuing with the Prospects and Leads inventory being updated to incorporate prospects and leads identified from the reprocessed Winchester 3D survey.

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 7.



Figure 7 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 km<sup>2</sup>. The work program in both permits calls for reprocessing, interpretation and mapping of 2D data together with a studies program, to be followed by a new 3D seismic survey and an exploration well in the last two years of each permit's term.

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/lo 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.

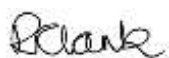
## **CORPORATE MATTERS**

During the quarter companies associated with each of E.G. Albers and G Guglielmo transacted on Octanex shares, demonstrating confidence in the Company.

National Gas Australia Pty Ltd (NGA), a company associated with Chairman E.G. Albers, made voluntary payment of the unpaid amount on 7,200,000 partly paid shares. NGA paid Octanex an amount of \$720,000, comprised of \$0.10 per share payment in respect of 7,200,000 shares paid to \$0.15, making the shares fully paid to \$0.25.

An entity associated with Director G Guglielmo acquired 3,000,000 ordinary fully paid shares pursuant to the Octanex Trustee Share Scheme in accordance with approval of shareholders in general meeting on 26 November 2015. The shares were purchased at a price of \$0.10 per share.

Following these transactions Octanex now has on issue 232,465,561 fully paid shares (inclusive of 30,000,000 held by the trustee of the Octanex Trustee Share Scheme for placement) and 67,078,910 partly paid shares paid to \$0.15 per share.



**Rae Clark**

Executive Director  
& Chief Operating Officer  
26 April 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 March 2016

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sale and related debtors		
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(33)	(188)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1	4
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other	3	33
<b>Net Operating Cash Flows</b>		(342)	(1,918)
<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	(838)	(2,268)
1.11	Loans repaid by other entities	-	440
1.12	Other		
<b>Net investing cash flows</b>		(838)	(1,828)
1.13	Total operating and investing cash flows (carried forward)	(1,180)	(3,746)

+ 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)	(1,180)	(3,746)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc. **		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	(12)	(12)
	Share buy-back		
	<b>Net financing cash flows</b>	(12)	1,008
	<b>Net decrease in cash held</b>	(1,192)	(2,738)
1.20	Cash at beginning of quarter/year to date	4,570	5,832
1.21	Exchange rate adjustments to item 1.20	(141)	143
1.22	<b>Cash at end of quarter</b>	3,237	3,237

**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	188
1.24	Aggregate amount of loans to the parties included in item 1.10	838

1.25 Explanation necessary for an understanding of the transactions

1.10 Shareholder advance to 50% owned Ophir Production Sdn Bhd ("OPSB") for the quarter - \$838k

**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	100
4.2 Development	
4.3 Production	
4.4 Administration	350
<b>Total</b>	<b>450</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	3,237	4,570
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>3,237</b>	<b>4,570</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> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	232,465,561 67,078,910	232,465,561 67,078,910	- 25 cents	- 15 cents
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	7,200,000 (7,200,000)	7,200,000 (7,200,000)	- 25 cents	- 15 cents
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (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 <b>Debentures</b> (totals only)				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <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: ..... Date: 26/04/16  
(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.