



Quarterly Activity Report

ACTIVITIES FOR THE QUARTER ENDED 30 SEPTEMBER 2014

HIGHLIGHTS

- > Continuing transformation to full cycle exploration and production company
- > Strategic investment terms reached with Sabah International Petroleum
- > Activities commenced to develop Ophir oil field
- > Financing for Ophir approved

OCTANEX STRATEGY

Octanex is transforming from a pure exploration focused company to a full cycle exploration and production company.

Octanex has pursued a grassroots exploration strategy over many years. Its business has been to seek prospective acreage and to upgrade that acreage through seismic acquisition and the development of attractive targets and this has been done with the intention of attracting international companies as farminees.

Octanex is implementing a change in strategy so as to reduce its exposure to exploration and to include the acquisition of near-term production assets which have the capacity to provide future cashflow generation.

Octanex has interests in two development assets, the Ophir oil field, offshore Malaysia, and the Cornea oil field, offshore Western Australia, in addition to its portfolio of exploration acreage in Australia and New Zealand. The location of Octanex's interests are shown in Figure 1 below and information follows regarding each and including current activities.



Figure 1 Octanex location of interests

COMPANY OVERVIEW

ASX Code	Fully paid:	OXX
	Partly paid:	OXXCB
Share price*	OXX	\$0.095
	OXXCB	\$0.022
Shares on issue	OXX::	152M
	OXXCB:	74M
	Trustee Shares:	33M
	Options	4.85M

As at 30 September 2014

DIRECTORS

Geoffrey Albers	Chairman & CEO
Raewyn Clark	Executive Director & COO
James Willis	Non-Executive Director
Graeme Menzies	Non-Executive Director
David Coombes	Non-Executive Director

CONTACT DETAILS

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ASSETS AND ACTIVITIES OVERVIEW

Ophir Oil Field Risk Service Contract, Malaysia

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.

Octanex's joint venture shareholders in OPSB are Scomi with 30% and Vestigo with 20%. Scomi is a wholly-owned subsidiary of Scomi Energy Services Bhd, a Malaysian downstream oil and gas services company listed on the Main Board of Bursa Malaysia. Vestigo is a wholly-owned subsidiary of Petronas and was incorporated in 2013 to focus on the development of small, marginal and mature fields.

PETRONAS introduced the RSC model in 2011 as a new petroleum arrangement designed with the objective of intensifying upstream Malaysian oil and gas activities and developing smaller, stranded oil and gas resources. The RSC model balances the sharing of risks with fair returns for the development and production of discovered small fields. Under the terms of an RSC, the Contractor (in this case OPSB) is the service provider and Operator of the field, while PETRONAS is the resource owner.

Upfront investment of capital is contributed by the Contractor, with the Contractor compensated via the reimbursement of costs plus a remuneration fee for services rendered. The remuneration fee is linked to production volumes as well as certain key performance indicators.

OPSB's approved field development plan is for the drilling of three production wells from a single wellhead production processing platform (WHPP) to produce into a leased FSO for storage and offloading of crude as shown in Figure 2 below. First oil is expected from the field in December 2015.

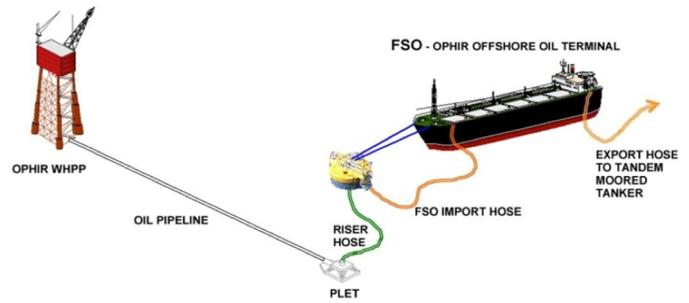


Figure 2 Ophir development schematic

During the quarter ended 30 September 2014 OPSB commenced activities to develop the field.

Financing

OPSB has accepted a Letter of Offer for syndicated term loan facilities for 75% of the planned capital expenditure for the development of the Ophir Oil Field as well as 75% of the first three quarters of the planned operating expenditure and the Bank Guarantee in favour of PETRONAS. The tenure of the term loan facilities is up to four years. The finance is to be provided by a syndicate comprised of Malayan Banking Berhad (Maybank), RHB Bank (L) Ltd and United Overseas Bank Limited.

Cornea Retention Lease, Browse Basin

Octanex holds an aggregate 18.75% interest in the Cornea Retention Lease, WA-54-R (Lease), granted for an initial 5-year term in May 2014 and located in the Browse Basin offshore from Western Australia. Following the grant of the Lease, the remaining area of WA-342-P outside the Lease was relinquished.

The Lease covers the Cornea Location Area of six graticular blocks (approximately 497 km²) located within what was the WA-342-P Exploration Permit and incorporates the Cornea oil and gas accumulations (Greater Cornea Fields) – see Figure 3. The Greater Cornea Fields include the Cornea (Central and South), Focus and Sparkle Oil Fields and the Cornea North (Tear) Gas Field.

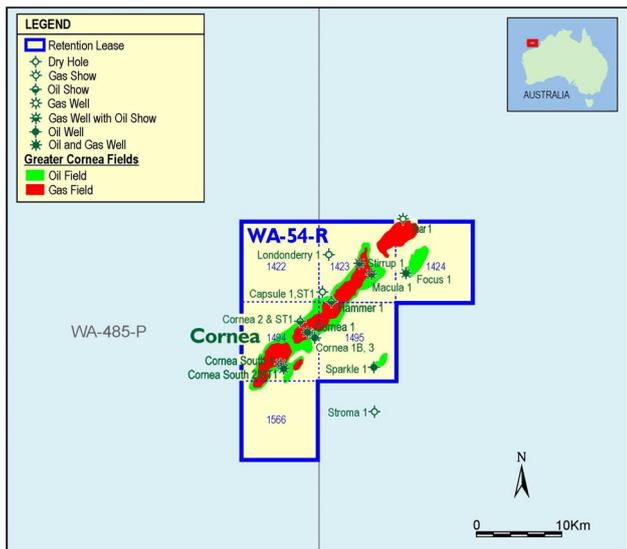


Figure 3 Cornea Retention Lease Location Map

Work Programme designed to achieve early commercial production

The Greater Cornea Fields are seen as an economic value opportunity and the path to early development is to overcome the technical challenges to unlock that value as quickly as possible. The work programme calls for engineering and complementary studies in the first three years. In the main, the studies are a lead up to the drilling of a production test well in Year 4.

Studies are to be undertaken to overcome the technical challenges likely to be faced in bringing the Greater Cornea Fields into commercial production. The oil and gas volumes in the Greater Cornea Fields are such that, if threshold production flow rates can be demonstrated, the economics should be immediately attractive and provide a reasonable expectation of commercial development.

Contingent Oil Resources

The following Table 1 presents the probabilistically derived In-place and Contingent Oil Resources for the Cornea Central and South Oil Fields, with no development risk having been applied in deriving these volumes.

Middle Albian B & C Sands	Low Estimate (P90)	Best Estimate (P50)	High Estimate (P10)	Units
Total Oil In-place	298.0	411.7	567.2	mmbbl
Recovery Factor	2	7	25	%
Contingent Oil Resources	7.9	28.8	101.9	mmbbl
Octanex Economic Interest (18.75%)	1.48	5.40	19.11	mmbbl

Table 1 In-place and Contingent Oil Resources for Cornea Central and South Fields

Carnarvon Basin Exploration Interests

Octanex has various interests in the Dampier sub-basin and the Exmouth Plateau (Refer Figure 4)

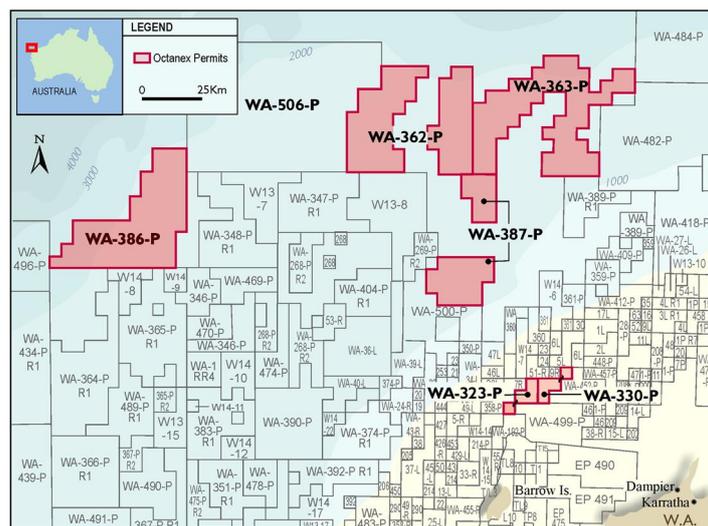


Figure 4 Carnarvon Basin Permits

WA-323-P & WA-330-P – Dampier Sub-Basin

These permits are held by a Joint Venture consisting of:

Santos Offshore Pty Ltd <i>(subsidiary of Santos Limited)</i>	75% and Operator
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Octanex	25%
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WA-323-P and WA-330-P comprise a discrete project area of 640 km² on the Parker Terrace (refer Figure 5). The permits were each granted their first 5-year renewals in April 2011

The Winchester-1/ST1 discovery well was drilled from a location within WA-323-P during Q2/Q3 2013 (Figure 5). The well encountered good gas shows in stacked sands of the Late Jurassic Angel Formation and the Late Triassic Mungaroo Formation. Santos analysis of the wireline logs, pressure testing and formation sampling of the well confirmed the presence of hydrocarbons and assessed the net gas pay of the discovery as 58m.

Preliminary post-well analysis suggested that the estimated size of the Winchester discovery, by itself, to be insufficient to be developed economically. Further contributions from possible deeper or adjacent hydrocarbon zones to the Winchester location would be required to augment the discovered resource. The Winchester discovery is located near existing pipeline and processing infrastructure and likely future infrastructure extensions.

There is further prospectivity in the Parker tilted fault block where the Parker-1/ST1 well in WA-330-P, 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. These were not logged or tested before the well was abandoned.

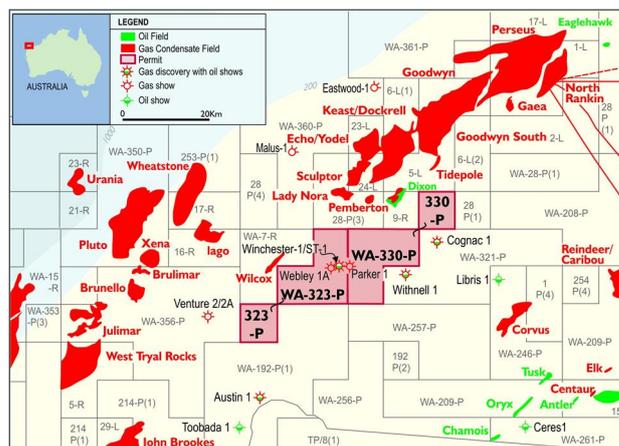


Figure 5 WA-323-P and WA-330-P and Winchester-1/ST1 Location Map

Reprocessing and re-interpretation of the 720 km² Winchester 3D seismic data set is ongoing. This work has been designed to enable better definition of the Winchester structure, in the vicinity of the Parker-1 well in particular, and over additional Triassic targets in the north of WA-330-P.

Exmouth Plateau interests

Octanex has interests in four permits in the Exmouth Plateau as shown in Figure 6. The high-impact potential of these interests is highlighted by the recent award of WA-506-P to Statoil with a significant work commitment involving 2,000 line km of 2D seismic and 3,500 km² of 3D seismic data. WA-506-P adjoins two of Octanex's Carnarvon Basin permits; WA-386-P and WA-362-P. In commenting on the award, Statoil noted that "this is an untested part of a prolific basin, offering significant upside potential"

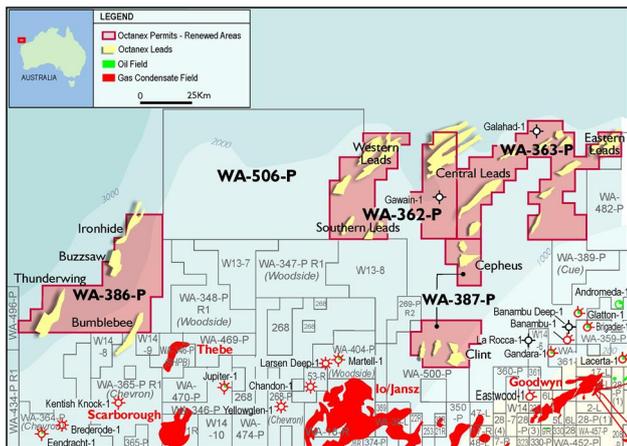


Figure 6 Location Map Exmouth Plateau Permits

WA-362-P & WA-363-P – Exmouth Plateau

The WA-362-P and WA-363-P Joint Ventures each consist of:

ENI Australia Ltd (Eni)	66.667% and Operator
Octanex	33.33%

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 – see Figure 6. The work programme 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.

Importantly, Octanex remains 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-386-P & WA-387-P – Exmouth Plateau

The WA-386-P and WA-387-P permits comprise a combined exploration area of approximately 7,630 km². Octanex has a 100% interest in both permits

The current work programme calls for the acquisition of 2D seismic surveys and studies. Octanex is seeking the interest of other exploration companies to join with it in this work.

Bonaparte Basin Exploration Interests

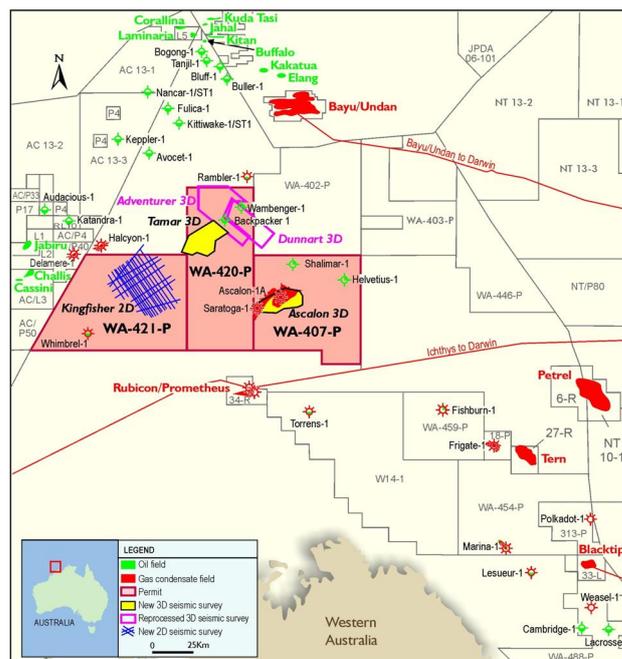


Figure 7 Location map of Bonaparte Basin Permits and Completed Seismic Surveys

WA-407-P, WA-420-P and WA-421-P

Octanex holds 100% interests in three adjacent petroleum exploration permits in the offshore Southern Bonaparte Basin (located predominantly offshore of the north-western coast of Australia) that comprise an area of approximately 15,535 km² in total. Those permits are WA-407-P, WA-420-P and WA-421-P and they are displayed in Figure 7. The campaign to farm out Octanex's Southern Bonaparte Basin permit interests continued during the quarter.

WA-422-P, WA-440-P and WA-441-P permits were surrendered following the completion of an assessment of the prospectivity in those permits. This work indicated that prospectivity was insufficient to justify further work.

Taranaki Basin Exploration Interests

Octanex holds varying interests in three petroleum exploration permits that cover approximately 3,277 km² in the offshore Taranaki Basin of New Zealand; namely PEP 51906, PEP 53537 and PEP 55790 (refer Figure 8 Location Map of the Taranaki Basin Permits),

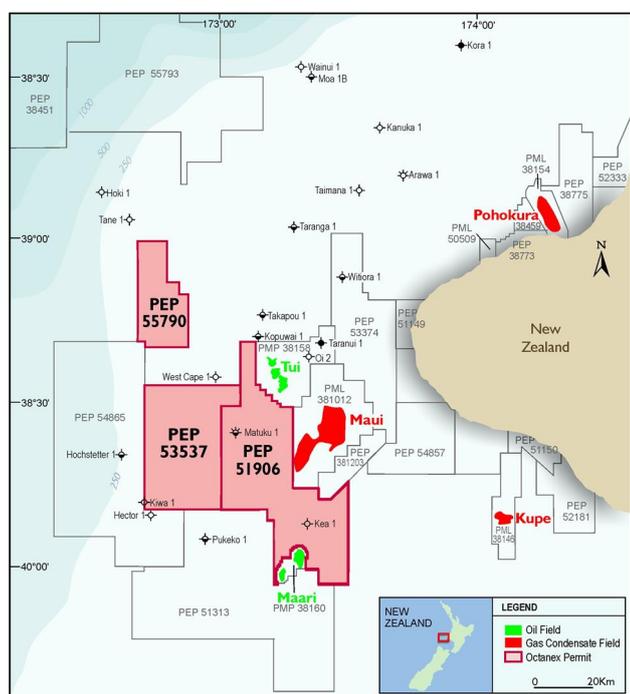


Figure 8 Location Map of the Taranaki Basin Permits

During the quarter, the NZOG operated PEP 52593 and PEP 53473 permits were surrendered, consistent with Octanex's exploration strategy to relinquish exploration acreage which cannot be farmed-out. The joint decision to surrender followed recent nearby disappointing well results which rendered as unsuccessful NZOG's considerable farmout efforts. The decision was made to avoid a commitment to drill an exploration well in each permit.

PEP 51906 – Taranaki Basin

The PEP 51906 Joint Venture consists of:

OMV New Zealand Limited (OMV)	65% and Operator
Octanex	22.5%
New Zealand Oil & Gas Limited (NZOG)	12.5%

The PEP 51906 permit covers an area of 1,613 km² and is adjacent to three producing fields; the Maui gas/condensate field to the east (which has been in production since 1979), the Tui oil field to the northeast (which has been producing since 2008) and the Maari/Manaia fields to the south (which commenced production in 2009) – see Figure 9 PEP 51906, Matuku-1 and Kaka 3D Survey Location Map.

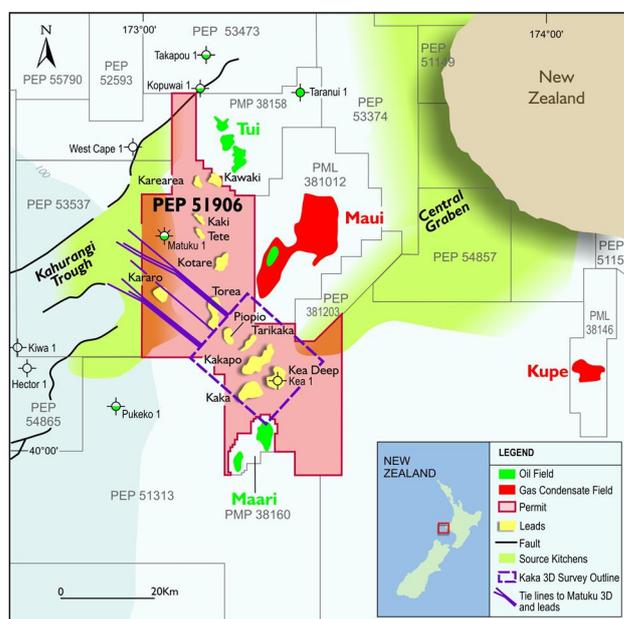


Figure 9 PEP 51906, Matuku-1 and Kaka 3D Survey Location Map

Matuku-1 was drilled in the permit in 2013/2014 by operator OMV. Unfortunately, this well was unsuccessful.

Earlier this year, the Kaka seismic survey acquired 403.8 km² of new 3D data from within and adjacent to PEP 51906 – see Figure 9 PEP 51906, Matuku-1 and Kaka 3D Survey Location Map. A further 67.4

km² of 3D tie lines were acquired as part of the overall survey.

As a result of these and earlier 3D seismic acquisitions, the Joint Venture holds an extensive modern database over a number of attractive leads and prospects.

PEP 53537 – Taranaki Basin

The PEP 53537 Joint Venture consists of:

OMV New Zealand Limited (OMV)	65% and Operator
Octanex	35%

The PEP 53537 permit adjoins the western boundary of PEP 51906. It covers an area of 1,146 km² and has an extensive grid of 2D seismic data of various vintages.

The Kapuni Group plays are seen to be the most prospective for the permit, although possible targets in the Moki Formation are also being analysed.

PEP 55790 – Taranaki Basin

The PEP 55790 permit covers an area of approximately 518 km² and offers similar prospectivity to Octanex's other Taranaki Basin interests.

Following a 24 month period of geological and geophysical studies, Octanex can either surrender the permit or commit to acquire and process a minimum of 300 km² of new 3D seismic data.

CORPORATE MATTERS

Strategic Alliance with and Funding from Sabah International Petroleum (SIP)

Post the end of the quarter under review, on 29 October 2014, Octanex announced that it has executed term sheets in relation to an investment by SIP in Octanex. SIP is wholly owned by Sabah Development Bank Berhad which in turn is wholly owned by the Ministry of Finance of the State of Sabah.

The term sheets are not binding and are conditional upon the completion of documentation, pursuant to which, Octanex will place 40,332,663 shares with SIP for US\$5 million, equating to approximately AUS\$0.14 per share. SIP will further subscribe for US\$12 million in Convertible Notes in three equal tranches with conversion prices of 15, 20 and 25 cents per share for each of the tranches. The Notes will have a redemption date of 30 June 2017 and an alternative conversion option until June 30, 2016 into a 35% shareholding in Octanex Pte Ltd. Two directors nominated by SIP will join the Board of Octanex.

The Share and Convertible Notes subscriptions will require approval by Octanex shareholders following execution of definitive documents. In the meantime, SIP will provide a bridge loan facility to Octanex NL for an amount of \$12 million with a maturity date of 31 March 2014. The bridge loan facility will be satisfied out of the Share and Convertible Notes issue, following receipt of necessary approvals.

The executed term sheets formalise a relationship between Octanex and the State of Sabah which has developed over several months. Octanex looks forward to pursuing upstream projects with SIP in Malaysia, Indonesia and the Philippines, areas of interest to both SIP and Octanex.

Appointment of Director and COO

Post the end of the quarter under review, on 17 October 2014, Mrs Raewyn Clark was appointed an executive Director and Chief Operating Officer of the Company. She had held the position of Commercial Manager of Octanex for the past two years and has been highly instrumental in the formulation and advancement of the Ophir investment and the associated financing and management of that venture.

On Market Share Buy-back

On 1 April 2014, Octanex announced an on market share buy-back for up to 7,500,000 of the Company's fully paid ordinary shares. The buy-back was launched to exercise effective capital management

for the benefit of Octanex shareholders and will run for a period 12 months. By the end of the quarter, a total of 144,000 shares had been acquired for a total consideration of \$15,412.

Proposed Merger with Peak

During the previous quarter, Octanex executed an implementation agreement with Peak Oil & Gas Limited (Peak) as an initial step in a proposed merger of Peak into Octanex. Simultaneously, Octanex entered into a loan agreement, with associated security documentation, enabling Peak to meet an agreed budget until the end of calendar 2014. The loan has enabled Peak to complete the South Block A seismic programme in North Sumatra and to fund the initial costs of preparation for an oil-target well.

To effect the merger, Schemes are proposed to be entered into by Peak's members. If the Scheme comes into effect, Peak will become a wholly-owned subsidiary of Octanex and Peak's members will have exchanged their securities for Octanex Shares.

Peak has advised that it expects to submit the Scheme Information Memorandum to the Court in December seeking Orders for the holding of meetings of Peak members subject to those Orders. The Scheme documentation will then be submitted to Peak members for their approval and further information will be available at that time. If approved, the Scheme would then return to the Court for final Orders.

Canning Basin

In January 2013, Octanex conditionally agreed to acquire a 25% participating interest from Oil Basins Limited (OBL) in a permit to be issued in respect of an onshore Western Australian petroleum exploration permit application area. EP 487 (Derby Block) has since been granted to OBL and Back Reef Oil Limited. Conditions precedent to the acquisition have not been satisfied or waived.

Octanex

Octanex is used through this report to refer to Octanex N.L. and its subsidiaries.

Rae Clark

Executive Director
& Chief Operating Officer
31 October 2014

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 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sale and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(274)	(274)
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		
Net Operating Cash Flows	(1,367)	(1,367)
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	(3,103)	(3,103)
1.11 Loans repaid by other entities		
1.12 Other		
Net investing cash flows	(3,103)	(3,103)
1.13 Total operating and investing cash flows (carried forward)	(4,470)	(4,470)

+ 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)	(4,470)	(4,470)
	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	(15)	(15)
	Net financing cash flows	(15)	(15)
	Net decrease in cash held	(4,485)	(4,485)
1.20	Cash at beginning of quarter/year to date	8,507	8,507
1.21	Exchange rate adjustments to item 1.20	279	279
1.22	Cash at end of quarter	4,301	4,301

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	221
1.24	Aggregate amount of loans to the parties included in item 1.10	3,103

1.25 Explanation necessary for an understanding of the transactions

- 1.10 Loan drawdowns by Peak Oil & Gas Limited (“Peak”) for the quarter - \$550k
- 1.10 Shareholder advance to 50% owned Ophir Production Sdn Bhd (“OPSB”) for the quarter - \$2,553k

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

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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

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+ 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		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	300
4.2 Development	
4.3 Production	
4.4 Administration	1,200
Loan to OPSB and Peak	3,000
Bridging Facility from Sabah International Petroleum Ltd	(12,000)
Total Net Outflow (Inflow)	(7,500)

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	4,137	7,488
5.2 Deposits at call	164	1,019
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,301	8,507

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		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas 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	151,983,398 74,278,910 33,000,000	151,983,398 74,278,910 -	- 25 cents -	- 15 cents -
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(144,000)	(144,000)	-	-
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>	1,500,000 3,350,000	- -	<i>Exercise price</i> 32 cents 15.34 cents	<i>Expiry date</i> 30/06/2015 21/05/2016
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: 31/10/14
(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.