



## Chairman's Review

### *Broadened Strategy*

The year under review saw Octanex commence the implementation of its change in strategy to reduce its exposure to exploration and to increase involvement in development projects.

Last year I highlighted our concern at our ability to continue to successfully implement our corporate strategy, particularly in relation to attracting farminees to advance our grass roots exploration. Because of these doubts we made the decision to broaden our strategy to include the acquisition of near-term production assets which have the capacity to provide future cashflow generation.

### *Grant of Ophir RSC to develop Ophir Oil Field*

We are well-and-truly moving forward on that path. A Risk Service Contract for the development of the Ophir oil field offshore Malaysia was awarded in June to an Octanex-led joint venture company. The Ophir oil development is in execution phase, with approved senior project finance for the joint venture and mezzanine finance approved for our own equity contributions to the joint venture. "First Oil" is expected at the end of next year.

### *Advancement of Cornea Oil Project*

We are intent on increasing our exposure to development with our Cornea Oil Project high on the list. Significantly, the Cornea project was the subject of a 5-year retention lease granted by the Authorities with a work program designed to unlock the value inherent in the Greater Cornea Fields.

Notwithstanding our changed emphasis, during the year we participated in a number of important exploration wells.

### *Winchester-1 Well*

Winchester-1 was concluded in July 2013. Santos advised that the estimated size of the Winchester discovery, by itself, is presently insufficient to be developed economically. Further contributions from possible deeper zones in the Winchester well or nearby hydrocarbon zones, would be required to augment the resource.

### *Palta-1 Well*

Shell concluded the drilling of Palta-1 by August 2013 after a marathon drilling program. Shell advised that Palta did not encounter commercial hydrocarbons.

### *Matuku-1 Well*

Matuku-1 was drilled in offshore Taranaki Basin during 2014 by our operator and farminee, OMV. Unfortunately, this well was unsuccessful.

Each of these exploration wells were drilled by farminees at considerable expense, with little or no cost payable by us.

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We have also entered into an implementation agreement with Peak Oil & Gas Limited (Peak) that would see Peak merged into Octanex. This would bring to the enlarged group further exposure to development and near-development assets. The attraction of Peak is its participation in South Block A, an exploration project located in North Sumatra, Indonesia. The possibility also exists for the development of the Cadlao project in the Philippines, an oil project where Peak holds various interests.

We will continue to seek further production-related merger or acquisition opportunities to increase the critical mass of the company.

Consistent with our exploration strategy, we have made some hard decisions to relinquish exploration acreage where we have been unable to farm-out. In this regard, it was necessary for us to relinquish two of our blocks in the offshore Taranaki Basin of New Zealand. Recent nearby disappointing exploration results rendered NZOG's considerable farmout efforts as Operator unsuccessful. When faced with the critical decision point of whether to commit to the drilling of a well or to relinquish the permits, we made the joint decision to relinquish.

As well as increasing our exposure to development, we are intent on expanding the capital base of the Company and hope to bring in additional strategic shareholders, reducing my percentage shareholding in Octanex, while increasing capital.

A longer-term strategy is to separate the role of CEO and Chairman. We have very recently increased the size of our board, bringing in Mrs Rae Clark as Chief Operating Officer and as director of the Company. Mrs Clark has been highly instrumental in the formulation and advancement of the Ophir investment and the associated financing and management of that venture. I am most pleased to welcome her to the board.

Octanex is in a period of transition from a pure exploration focussed company. We look forward to reaping the rewards of the considerable effort that has been made to date to reposition Octanex as a full-cycle exploration and production company.



E.G. Albers  
*Chairman*  
20th October 2014

*Proposed Merger  
with Peak Oil &  
Gas Limited*

*Relinquishment of  
Exploration  
Acreage*

*Capital Initiatives*

*Board &  
Management*