



OCTANEX

Quarterly Activity Report 30 June 2019

ASSETS AND ACTIVITIES OVERVIEW

Ascalon Gas, Bonaparte Basin

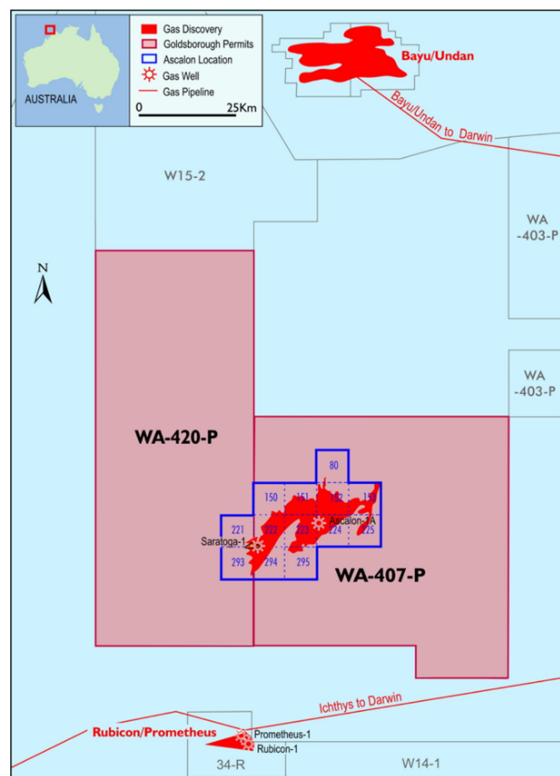
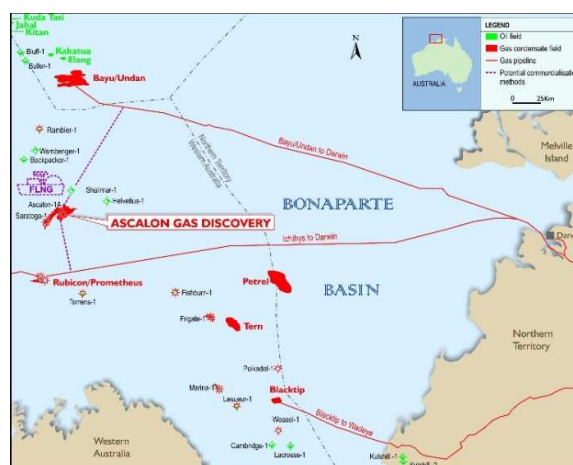


Figure 1 Ascalon gas accumulation location map

The Ascalon gas accumulation is located mostly within exploration permit WA-407-P and extends into the adjacent WA-420-P.

Ascalon has an aerial extent of 320 km², a proven source/charge, trap, seal and a high reservoir pressure (10,500 psi), which is 3,500 psi over normally pressured and may be due to a much deeper closing contour and greater gas in place.

Proximity to existing infrastructure and gas resources presents opportunities for the future development of Ascalon options. Located in shallow water (68 m), wells can be drilled using a jack-up rig, while unmanned wellhead platform development options indicate reduced CAPEX and OPEX potential.



Ascalon proximity to gas infrastructure

Ascalon-1A, drilled in 1995 by Mobil, encountered 155m TVD¹ gross section in the same Permian formation as the Petrel and Tern Gas accumulations. However, approximately 60% of the shallower reservoir was not flow tested due to mechanical issues.

Octanex's activities during the quarter included technical studies focussed on support for development of a drilling objective for an Ascalon appraisal well.

During the quarter the Joint Authority granted a variation and nine month suspension and extension for both permits.

¹ True Vertical Depth

Octanex continues to seek a joint venture party to join it in appraising Ascalon.

Greater Cornea Fields, Browse Basin 18.75% interest

The initial five year term of the WA-54-R Cornea Retention Lease ended during the quarter, on 5 May 2019, and the Cornea JV lodged an application to renew the Retention Lease for a further five years. For a Retention Lease to be granted and subsequently renewed, the Commonwealth-Western Australia Joint Authority (JA) must be satisfied that the accumulation is “not presently commercial but is likely to be commercially viable within 15 years”.

The Cornea Joint Venture’s renewal application was predicated on the work completed over the initial lease term, especially the last two years of the lease. It was accompanied by detailed oil, gas and water production simulation forecasts generated from an integrated reservoir model prepared by a team of independent specialists comprising a petrophysicist, geologists, geophysicists and reservoir engineers. The development concept and cost estimates were prepared by an independent engineering firm.

The Cornea accumulation has had 18 wells drilled into it and its immediate environs. The renewal application and our studies demonstrated that the field is not presently commercially viable, even adopting an extremely cost efficient development concept of a platform and subsea storage unit. The renewal application demonstrated the oil price, production and cost parameters required for the field to be commercially viable. It identified numerous avenues by which the field’s commercial viability could be improved. The submission proposed a work program focused on strategies for accessing more oil volumes and lowering the development cost.

A renewal of the Retention Lease would have allowed for the possibility that oil demand would result in oil prices recovering sufficiently over the next five years to meet or exceed the necessary threshold oil price needed to justify any further substantial investment in either drilling or development.

During the quarter the National Offshore Petroleum Titles Administrator (NOPATA) provided a “request for further information” in relation to the renewal application, as is typical with all titles administration matters. However, this “request” was unusual in that it did not in fact request any information or seek any clarifications. Rather, it advised that “insufficient information has been provided to demonstrate that recovery of petroleum from the lease area is likely to become commercially viable within 15 years, and therefore to support a recommendation to renew Petroleum Retention Lease WA-54-R” with extremely wide and general reasons cited without reference to any of the detailed supporting content provided by the Joint Venture in its renewal application.

Having reviewed NOPATA’s “request”, the Joint Venture considered that NOPATA was unlikely to support renewal of WA-54-R and that the JA is therefore unlikely to grant such renewal.

WA-54-R presented an unusual retention lease circumstance, having been granted over an oil accumulation, rather than a gas accumulation. The Cornea JV’s decision to apply for a Retention Lease in 2013 reflected advice from the Joint Authority in early 2013 that it should do so. In September 2013 the Coalition Government’s Policy for Resources and Energy was released with measures aimed at ensuring that Retention Leases are held for “a legitimate need to secure gas for long-lived production projects”. The Cornea JV lodged its application for Retention Lease the next month (October 2013) and WA-54-R was granted in May 2014, reflecting the Joint Authority’s earlier advice to the Cornea JV, notwithstanding the September 2013 policy change.

The Cornea JV believes that NOPATA and the JA intended to apply the September 2013 policy and deny a renewal of the Cornea Retention Lease, despite the Cornea JV’s significant investment in Cornea. This investment includes the drilling of Cornea-3. The Cornea JV increased its investment over the course of the Retention Lease, recently completing an integrated reservoir model in accordance with the work program variation approved by the JA.

The Cornea JV has considered avenues open to it, including pathways for administrative review in the

event of a negative decision and has formed the view that NOPTA's letter reflects an insurmountable hurdle. To develop Cornea, significant production and oil price hurdles must be overcome. The Cornea JV believes that, for a marginal field such as Cornea to have any chance of development, it must be supported by a constructive and commercial approach from the relevant regulator.

The Cornea JV therefore decided to withdraw its application to renew WA-54R, which withdrawal has been approved following the end of the quarter. As a result, the Cornea JV has been advised that WA-54-R is no longer in force.



Rae Clark

Executive Director
& Chief Operating Officer
31 July 2019

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/13, 01/09/16

Name of entity

OCTANEX LIMITED

ABN

61 005 632 315

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		49
1.2 Payments for		
(a) exploration & evaluation	(37)	(228)
(b) development		
(c) production		
(d) staff costs	(133)	(528)
(e) administration and corporate costs	(96)	(369)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	4
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash used in operating activities	(263)	(1,072)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		4,391
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from investing activities		4,391

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		(2,924)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from financing activities		(2,924)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,071	1,332
4.2	Net cash used in operating activities (item 1.9 above)	(263)	(1,072)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		4,391
4.4	Net cash from / (used in) financing activities (item 3.10 above)		(2,924)
4.5	Effect of movement in exchange rates on cash held	(17)	64
4.6	Cash and cash equivalents at end of period	1,791	1,791

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,791	2,071
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,791	2,071

6. Payments to directors of the entity and their associates

**Current quarter
\$A'000**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

(35)

7. Payments to related entities of the entity and their associates

**Current quarter
\$A'000**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

(53)

8. Financing facilities available

Add notes as necessary for an understanding of the position

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

- 8.1 Loan facilities

- 8.2 Credit standby arrangements

- 8.3 Other (please specify)

- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	30
9.2	Development	
9.3	Production	
9.4	Staff costs	140
9.5	Administration and corporate costs	90
9.6	Other – Advance to joint venture company	-
9.7	Total estimated cash outflows	260

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		See Activity Report		
10.2	Interests in mining tenements and petroleum tenements acquired or increased		See Activity Report		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Company secretary)

Date: 31 July 2019

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.