



## Quarterly Activity Report 30 September 2018

### ASSETS AND ACTIVITIES OVERVIEW

#### Ascalon Gas, Bonaparte Basin

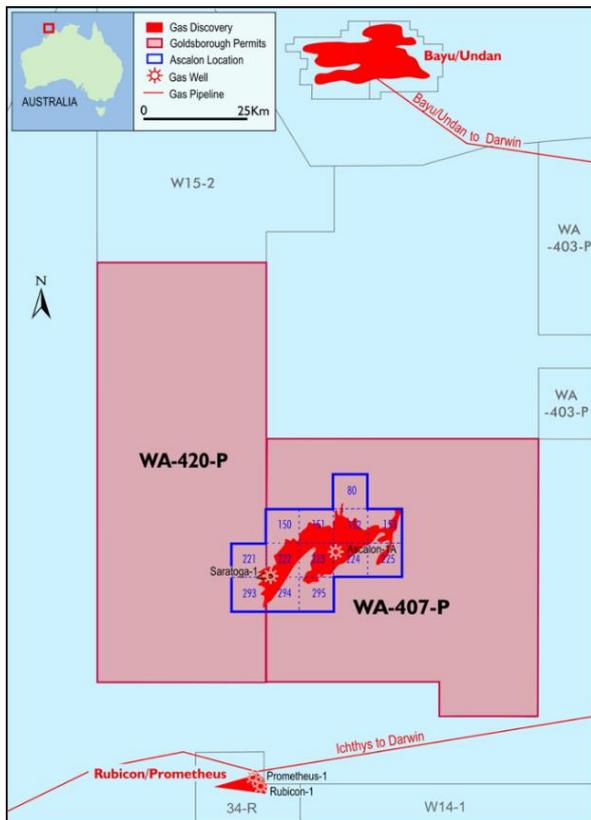
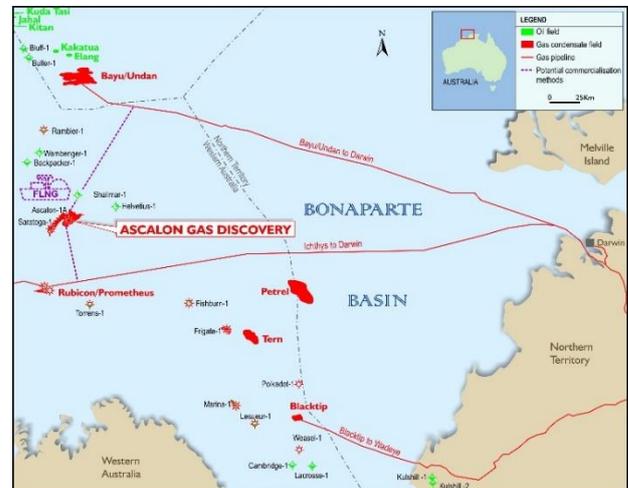


Figure 1 Ascalon gas accumulation location map

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 km<sup>2</sup>, 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 several 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 reduce potential CAPEX and OPEX.



Ascalon proximity to gas infrastructure

Ascalon-1A, drilled in 1995 by Mobil, encountered 155m TVD 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.

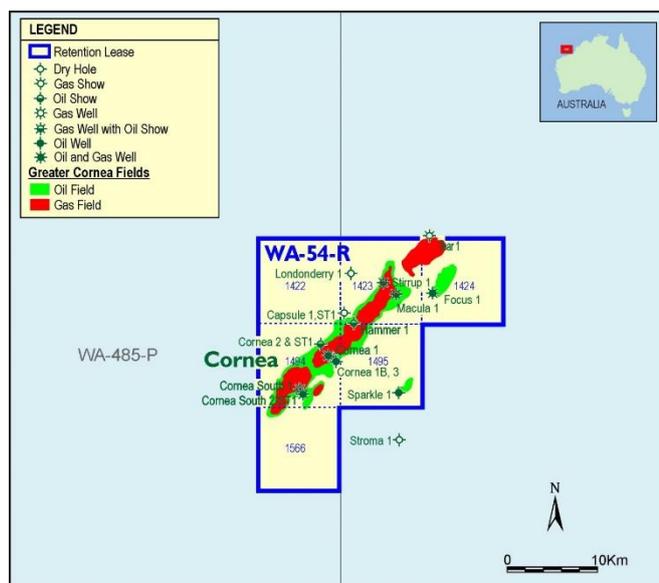
Octanex's activities during the quarter focussed on support for development of a drilling objective for an Ascalon appraisal well, including tight gas analogue studies of southern North Sea (SNS) Permian fields developed in the last decade through offshore stimulation.

Octanex is seeking a joint venture party to join it in appraising Ascalon.

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## Greater Cornea Fields, Browse Basin 18.75% interest

The Greater Cornea Fields (being the Cornea, 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).



Greater Cornea Field retention lease location map

The Greater Cornea Fields present a large in-place oil resource contained in a challenging reservoir. At the time the Retention Lease was applied for and granted, production uncertainty was identified as the primary constraint to development. Cornea's attributes make it particularly sensitive to well construction and execution and it is of critical importance to maximise reservoir management and sweep efficiency.

Having identified a production test well (a well designed to achieve threshold productivity and prove up well construction methods and technologies) as a key milestone for progressing commercialisation of Cornea, The Cornea Joint Venture (Cornea JV) designed a Retention Lease program consisting of studies work in the first three years of the Lease term to support a production test well in Year 4.

Commercialisation is not a static matter and the oil price environment since late 2014 posed a significant challenge to the Cornea field's commerciality, having rendered as non-viable field development concepts that were previously considered as potentially viable. Consequently, although the Cornea JV's work completed in the first three years of the Lease supported a technically feasible well, it did not support a successful production test well indicative of commerciality.

The Cornea JV therefore applied in March 2017 to vary the terms of the Lease work program and, in August 2017, to suspend and extend the term of the Lease in order to carry out additional work. That additional work (Integrated Reservoir Modelling) was identified as necessary in order to underpin the design of a production test well responding to the changed oil price environment.

In late May 2018 (being the first month of year-5 of the Retention Lease) the Cornea JV was advised that the Joint Authority intends to vary the work program to move the year-4 well to year-5, but not to suspend the term of the Retention Lease.

During the quarter, the Cornea JV made a submission to the Joint Authority regarding the intended decision. This included commentary on the practical difficulties imposed by the Joint Authority's intended decision and the timing thereof, including the lack of time in which to complete the varied year-4 work program (advised after the end of year-4), timing for completing the year-5 work program and difficulties created for timing of a renewal application for the Lease. No response has yet been received from the Joint Authority.

Activities during the quarter focussed on execution of compressed work program elements to support design, procurement and consent activities for the year-5 production test well and preparation for application for renewal of the Lease.

## Ophir Oil Development Project, Malaysia

The Ophir field was developed by Ophir Production Sdn Bhd (OPSB) under a Risk Service Contract (RSC), entered into by OPSB as Contractor, with PETRONAS, the resource owner, as Principal. Octanex holds a 50% shareholding interest in OPSB.

Upon the field meeting the contractual “economic cut-off” criteria, termination of the RSC was effected by OPSB.

Negotiations between OPSB and PETRONAS continued during the quarter in respect to handover to PETRONAS, which arrangements are clearly described in the contract. Such arrangements include keeping Ophir whole in respect to operating and capital costs for the development and the assumption by PETRONAS, by way of novation, of any contracts entered into by OPSB in relation to the project.

OPSB funded the Ophir development via syndicated term loan facilities (Project Financing Facilities), with the balance of expenditure funded by OPSB’s shareholders in proportion to their equity interest in OPSB (50% in Octanex’s case).

Octanex largely facilitated its capital contributions to OPSB through a Sabah International Petroleum Ltd (SIP) Convertible Note facility. Octanex’s ability to repay SIP (assuming that SIP seek to redeem rather than convert the Notes), is linked to the outcome of negotiations with PETRONAS, not only

with respect to the costs to be reimbursed, but also the novation to PETRONAS of outstanding contracts. Octanex is working closely with OPSB and SIP in an effort to bring about a resolution of these matters.

Octanex does not anticipate that it will achieve a surplus of funds following a full redemption of the SIP Convertible Note facility.

## CORPORATE

Mr Tino Guglielmo and Ms Suhnylla Kler resigned as directors of the Company in July 2018. The board now comprises Mr Geoff Albers, Ms Rae Clark, Mr James Willis and Datuk Kevin How Kow.

The Company’s share register advised its new business and mailing addresses during the quarter, which are now:

*Office address:* Automic  
Level 5, 126 Phillip Street  
Sydney NSW 2000

*Mailing address:* Automic  
GPO Box 5193  
Sydney NSW 2000



**Rae Clark**  
Executive Director  
& Chief Operating Officer  
31 October 2018