



OCTANEX

Quarterly Activity Report 31 December 2018

ASSETS AND ACTIVITIES OVERVIEW

Ascalon Gas, Bonaparte Basin

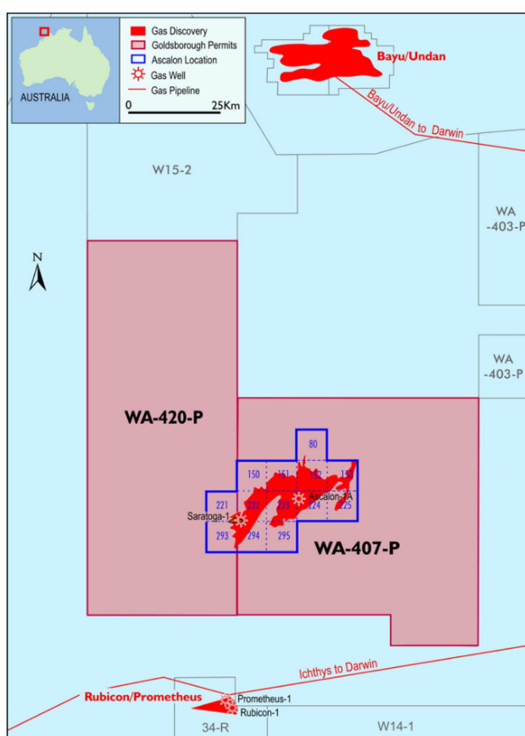
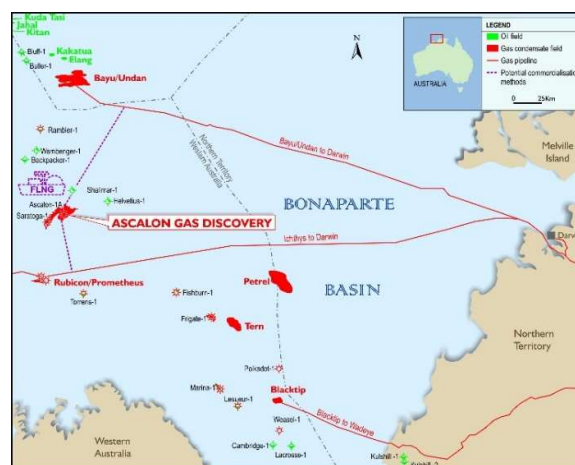


Figure 1 Ascalon gas accumulation location map

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 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 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

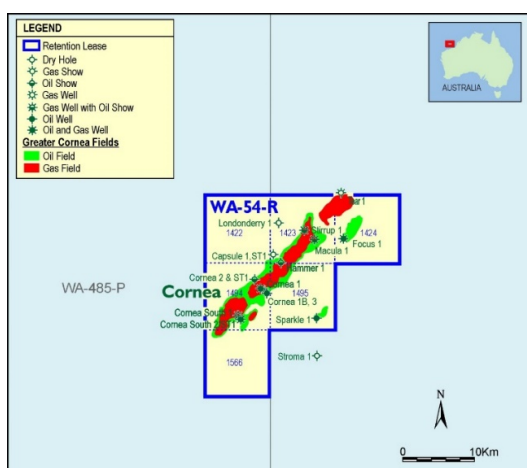
Ascalon-1A, drilled in 1995 by Mobil, encountered 155m TVD gross section in the same Permian formation as the Petrel and Tern Gas accumulations. However, approximately 60% of the shallower reservoir was not flow tested due to mechanical issues.

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.

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 Cornea Retention Lease was granted following the new information gained from the Cornea-3 well in which Octanex actively participated. The Cornea Retention Lease work program was formulated to address the technical challenges to development of Cornea. The ability to achieve threshold production was then identified as the key barrier to commercialisation of Cornea, with technical characteristics of the reservoir presenting the primary challenges to achieving threshold production.

The parameters for a successful Cornea production test well have changed considerably since the Retention Lease was granted almost entirely as a result of the reduced oil price environment. The Cornea Joint Venture has, accordingly, applied to the authorities to vary the conditions of WA-54-R as studies indicate that the project is presently not commercial.

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.

Contrary to expectations, production was short-lived, with the development thus proving to be uneconomic.

The Ophir field had been promoted by PETRONAS as a discovered oil field and offered under Malaysia's RSC regime on the basis of a guaranteed return of the contractor's capital and operating costs, together with incentive-based remuneration linked to time, capital cost and production performance.

Upon the field meeting the contractual "economic cut-off" criteria, termination of the RSC was effected by OPSB. Negotiations regarding handover and termination matters were concluded during the quarter; facilities (wellhead platform, wells, pipeline) were handed over and OPSB was relieved of most further project expenditure following novation of FPSO contracts entered into by OPSB in relation to the project.

Reimbursement of capital and operating costs to OPSB by PETRONAS commenced during the quarter. Such reimbursement excludes a number of project-related costs including financing, administration, PETRONAS education contributions and other costs.

OPSB's focus is now on project close-out and company wind-down activities, including the final operating quarter PETRONAS cost recovery audit, GST reimbursements and loan facility close-out steps.

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). Reimbursements from PETRONAS are expected to repay OPSB's Project Financing Facilities in full.

Octanex funded its capital contributions to OPSB partly through a Sabah International Petroleum Ltd (SIP) Convertible Note facility, drawn to US\$8million. The extent to which Octanex is able to repay SIP (assuming that SIP seek to redeem rather than convert the Notes into Octanex shares - the drawn facility is comprised of two equal tranches of convertible notes, with conversion prices of

\$0.15 and \$0.20) is linked to the quantum of final reimbursements OPSB receives from PETRONAS as well as GST and other refunds. Octanex presently does not anticipate that sufficient funds will be repaid to it by OPSB to enable a full redemption of the SIP Convertible Note facility and is working with SIP to restructure the convertible note facility in line with its share of projected shareholder loan repayments from OPSB.



Rae Clark

Executive Director
& Chief Operating Officer
31 January 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")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5	22
1.2 Payments for		
(a) exploration & evaluation	(37)	(100)
(b) development		
(c) production		
(d) staff costs	(131)	(262)
(e) administration and corporate costs	(98)	(226)
1.3 Dividends received (see note 3)		
1.4 Interest received	1	1
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	(260)	(565)

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 (6 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	1,926	1,926
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from investing activities	1,926	1,926

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		
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		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,046	1,332
4.2	Net cash used in operating activities (item 1.9 above)	(260)	(565)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,926	1,926
4.5	Effect of movement in exchange rates on cash held	101	120
4.6	Cash and cash equivalents at end of period	2,813	2,813

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	2,813	1,046
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)	2,813	1,046

6. Payments to directors of the entity and their associates

- 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

**Current quarter
\$A'000**

34

1,926

2.3 Repayment of shareholder advance from 50% owned Ophir Production Sdn Bhd ("OPSB") for the quarter - \$1,926k

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

- 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

**Current quarter
\$A'000**

51

Mining exploration entity and oil and gas exploration entity quarterly report

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities – Convertible Notes	US\$12m	US\$8m
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.		

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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	40
9.2	Development	
9.3	Production	
9.4	Staff costs	130
9.5	Administration and corporate costs	100
9.6	Other – Advance to joint venture company	-
9.7	Total estimated cash outflows	270

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 January 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.