



Octanex NL ABN 61 005 632 315
Level 21
500 Collins Street
Melbourne Victoria 3000 Australia

Tel: +61 (0)3 8610 4702
Fax: +61 (0)3 8610 4799
Email: admin@octanex.com.au
Website: www.octanex.com.au

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STRATEGIC ALLIANCE WITH AND FUNDING FROM SABAH INTERNATIONAL PETROLEUM LTD (“SIP”)

KEY POINTS:

- **Octanex to place 40,332,663 shares with Sabah International Petroleum Ltd (“SIP”) for US\$5 million**
- **Octanex and SIP have also agreed on the terms of Convertible Notes for US\$12 million**
- **SIP to provide US\$12 million bridge loan facility to be satisfied out of the Share and Convertible Notes Issue**
- **Octanex and SIP to jointly pursue upstream oil and gas ventures**

Octanex N.L. (**ASX Code: OXX (Octanex)**) is pleased to announce that it has executed term sheets in relation to an investment by SIP in Octanex. SIP is wholly owned by Sabah Development Bank Berhad (SDB) which in turn is wholly owned by the Ministry of Finance, Sabah, a State of Malaysia.

These agreements formalise a relationship between Octanex and the State of Sabah which has developed over several months. Octanex is pleased with the agreement and looks forward to pursuing upstream projects with SIP in Malaysia, Indonesia and the Philippines, areas of interest to both SIP and Octanex.

SIP is to subscribe for 40,332,663 ordinary fully paid shares for a total of US\$5 Million which equates to approximately AUS\$0.14 per share. Including this subscription, this will make SIP a holder of 21% of the existing listed fully paid ordinary shares in Octanex (17% of the total voting rights when including partly paid shares).

SIP will further subscribe for US\$12 million in Convertible Notes in three equal tranches with all tranches to be drawn down before 30 June 2015. The Notes will be due for redemption on 30 June 2017, but may be converted at any time prior to the maturity date, at the election of SIP, into fully paid Octanex shares at conversion prices of 15, 20 and 25 cents per share for each of the tranches.

Until June 30, 2016 SIP has the right to exercise an alternative conversion of the Notes to a 35% shareholding in Octanex Pte Ltd, the Singapore incorporated holding company of Octanex’s 50% shareholding in Ophir Production Sdn Bhd, the incorporated Joint Venture that holds the Ophir RSC with PETRONAS.

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A cash coupon rate on the Convertible Notes of 8% per annum has been agreed, with a bullet payment on redemption to be satisfied by a further issue of Octanex fully paid shares to lift the Internal Rate of Return of the Note holder to 12%.

SIP will be entitled to nominate two directors to join the Board of Octanex and has advised that it will nominate Datuk Kevin How Kow and Ms Suhnylla Kler, refer attached profiles.

The Share and Convertible Notes subscriptions will require approval from Octanex shareholders following execution of definitive documents. In the meantime, SIP will provide a bridge loan facility to Octanex NL for an amount of US\$12 million with a maturity date of 31 March 2015. The bridge loan facility will be satisfied out of the Share and Convertible Notes issue, following receipt of necessary approvals.

The term sheets are not binding and are conditional upon the completion of documentation, but do set out the principal terms and conditions for the share issue, convertible notes issue and bridge facility. Octanex and SIP will be completing definitive documents to effect the agreed terms in the weeks ahead. Shareholders will be asked to approve the transaction, with further details available at that time.

Octanex Chairman, Geoff Albers, comment: "The agreements with SIP are most significant for Octanex in its transformation to a south east Asian focussed E&P company. We look forward to welcoming SIP as a shareholder and to working together on future upstream oil and gas opportunities."



Octanex Chairman Geoff Albers with the Chief Minister of Sabah; Datuk Seri Panglima Musa bin Haji Aman and Datuk Kevin How Kow, Director of Sabah Development bank

About Octanex

Octanex is implementing a change in strategy 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 is transforming from a pure exploration focused company to a full cycle exploration and production company. 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.

For further information please contact:

Rae Clark

Executive Director & Chief Operating Officer

+61 3 8610 4702

admin@octanex.com.au

SIP Proposed Directors to Board of Octanex**Datuk Kevin How Kow**

Datuk Kevin How Kow is a director of Sabah Development Bank. He is a member of the Malaysian Institute of Accountants, the Malaysian Institute of Certified Public Accountants and a fellow member of the Institute of Singapore Chartered Accountants and the Institute of Chartered Accountants in England & Wales. He was made a partner of Ernst & Young ("EY"), Malaysia in 1984 and served as the partner-in-charge of EY's offices in Sabah and Sarawak. Later from 1996 onwards, he was the partner-in-charge of EY's practice in Sabah and Labuan until his retirement at the end of 2003. He also serves as a Director of Cahya Mata Sarawak Berhad, K&N Kenanga Holdings Berhad, Kenanga Investment Bank Berhad, Saham Sabah Berhad, Sarawak Cable Berhad, M3nergy Berhad and several private limited companies.

Ms Suhnylla Kler

Suhnylla Kler has extensive experience in the financial services industry, having worked with the Arab-Malaysian Banking Group, HSBC Bank (M) Berhad and ABN AMRO Bank Debt Origination, Global Financial Markets Malaysia. She is currently an Executive Director and CEO and Capital Markets & Services Representative of Sabah Development Bank Asset Management and also serves as a Director of M3nergy Berhad and Group.

Ms Kler is registered as Associate Member of Persatuan Kewangan Malaysia (PKM) or Forex Association of Malaysia, and is a member of the Corporate Finance Faculty of the Institute of Chartered Accountants of England & Wales (ICAEW). She received her Bachelor degree in Monetary Economics from the London School of Economics and Political Sciences (LSE) and subsequently studied Japanese at the School of Oriental and African Studies (SOAS), U.K. Having completed her stint with KPMG Peat Marwick, she is additionally registered as a Chartered Accountant and fellow of the Association of Chartered Certified Accountants (FCCA).