



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

8 December 2014

SABAH INTERNATIONAL PETROLEUM LTD (“SIP”) FUNDING AGREEMENTS SIGNED

KEY POINTS:

- **Octanex and SIP have completed documentation for the SIP transactions**
 - **US\$12 million short-term bridge loan facility to be repaid from proceeds of:**
 - **40,332,663 shares to be placed for US\$5 million**
 - **US\$12 million Convertible Notes to be subscribed for**
- **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 documentation for the previously announced 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.

The definitive documents have been completed pursuant to the terms agreed in the term sheets executed between Octanex and SIP in October, summarised below.

Bridge Loan Facility	SIP will provide a bridge loan facility to Octanex 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 shareholder approvals. The Bridge Loan facility will attract an interest rate of 8% assuming it is repaid by the Share and Convertible Note placement.
Share Placement	SIP is to subscribe for 40,332,663 ordinary fully paid shares for a total of US\$5 Million. 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).
Convertible Notes	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

For personal use only

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.

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%.

Conditions
Precedent

The agreements are subject to a number of conditions precedent predominantly satisfied by provision of documents and certain administrative matters. Octanex expects to satisfy the bridge facility conditions precedent before the end of December.

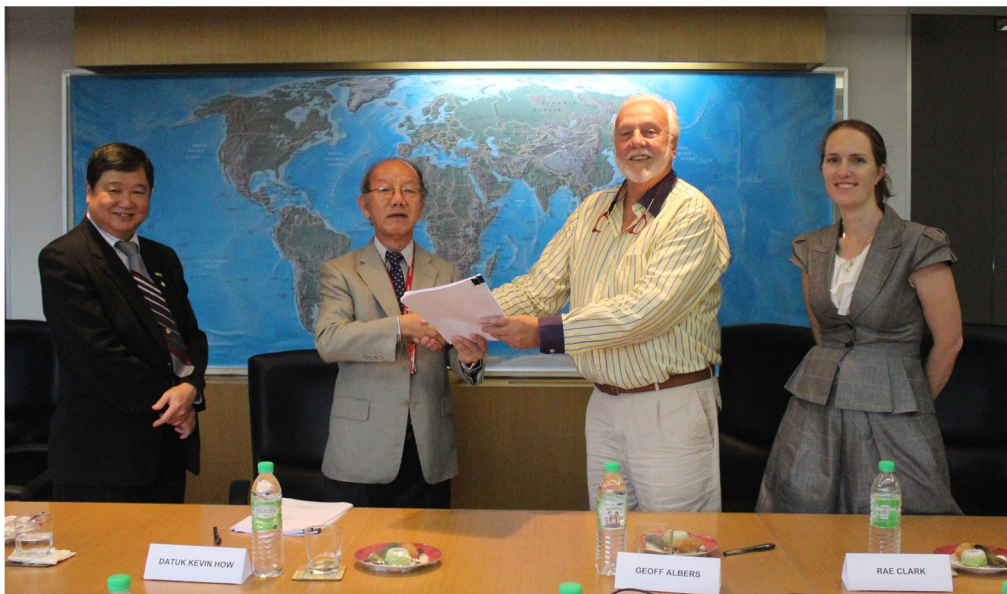
In addition to the conditions precedent contained in the bridge facility, the Share and Note Subscription Agreement is conditional upon Shareholder approval for the share and note placement. Octanex will call a meeting of shareholders for this purpose in early 2014.

Security

The bridge facility, and subsequently the convertible notes, will be secured by a charge over the shares of Octanex Pte Ltd.

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

Octanex looks forward to welcoming Datuk Kevin How Kow and Ms Suhnylla Kler, nominees of SIP, to the Board of Octanex shortly.



Datuk Peter Lim Siong Eng, Managing Director/CEO of Sabah Development Bank, Datuk Kevin How Kow, Director of Sabah International Petroleum, Geoffrey Albers, Chairman of Octanex, Rae Clark, COO of Octanex

For personal use only

Octanex Chairman, Geoff Albers, comment: "Our agreements with SIP are a further step in the implementation of our change in strategy from a purely exploration based company to a production based one. The funding from SIP secures the remaining equity required for our 50% share of the development of the Ophir oil field, offshore Malaysia. The transactions with SIP, together with senior project debt from a consortium of 3 banks, sees our involvement in Ophir now fully funded through to production."

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

For personal use only