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OPHIR RSC TERMINATION

Octanex Limited (ASX Code: OXX) advises that Ophir Production Sdn Bhd (OPSB) has exercised its right of Termination of the Ophir Risk Service Contract (RSC) following occurrence of “economic cut-off” in accordance with the terms of the RSC. Notice of Termination has accordingly been issued to PETRONAS. RSC Termination will ultimately result in PETRONAS, as the owner of the field, assuming full responsibility for the field, accepting novation of existing contracts and reimbursement to OPSB of capital and operating costs incurred by OPSB and not previously reimbursed. Octanex expects the reimbursement process to take approximately 12 months.

The Ophir Field, offshore Peninsular Malaysia, was developed by OPSB pursuant to a RSC entered into by OPSB, as Contractor, with PETRONAS (the resource owner) as Principal. Octanex holds a 50% shareholding interest in OPSB.

Production commenced at the Ophir field in October 2017. Higher than predicted gas production was observed, with oil production below anticipated levels. Efforts to restart production following a full process shut-in were unsuccessful and post-drill review studies point to lower than expected oil production from the development.

OPSB funded the Ophir development via syndicated term loan facilities (Project Financing Facilities) comprised of 75% of the capital expenditure and 75% of the first three quarters of operating expenditure, with the balance of expenditure funded by OPSB’s shareholders in proportion to their equity interest (50% in Octanex’s case).

Octanex’s US\$12 Million Convertible Note facility (presently drawn to US\$8Million) with Sabah International Petroleum (SIP) was structured for the purpose of meeting Octanex’s equity contributions to OPSB.

Advances made by Octanex and other shareholders to OPSB are subordinated to OPSB’s Project Financing Facilities. As a result of which, payments from OPSB to Octanex can only follow repayment of the project finance.

Octanex will be required to redeem the SIP Convertible Note facility from the proceeds of payments received from OPSB, unless SIP elects to convert the Convertible Notes into Octanex shares (the facility is comprised of three equal tranches of convertible notes with conversion prices of \$0.15,\$0.20 and \$0.25).

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