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19 November 2018

Ophir Project Close Update

Octanex Limited (ASX Code: OXX) provides this update in relation to close-out of the Ophir project.

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. The RSC provided that following termination OPSB would be kept whole in respect to operating and capital costs for the project. OPSB has been carrying out negotiations in relation to these matters over several months.

Octanex is pleased to advise that these negotiations have now concluded. Facilities (wellhead platform, wells, pipeline) have been handed over, reimbursement of costs has commenced and is expected to be completed in quarter 2 2019. OPSB has been relieved of most further project expenditure following novation of FPSO contracts entered into by OPSB in relation to the project.

OPSB's focus is now on project close-out and company wind-down activities, including 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).

The quantum of funds available for repayment of shareholder loans, following repayment of the Project Financing Facilities, can be projected within a meaningful range given the remaining expenditure requirements can now be reasonably forecast and the reduced number of outstanding variables.

Octanex largely facilitated its capital contributions to OPSB through a Sabah International Petroleum Ltd (SIP) convertible note facility, drawn to US\$8million. Unless SIP elects to convert the convertible 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), Octanex will be required to redeem the convertible notes at maturity (30 June 2019). Octanex is seeking to restructure the redemption terms of the convertible note in line with its share of projected shareholder loan repayments from OPSB.

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