Quarterly Activity Report 30 June 2018

ASSETS AND ACTIVITIES OVERVIEW

Ophir Oil Development Project, Malaysia

The Ophir field, offshore Peninsular Malaysia, 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.

Production from the Ophir field has ended, and the development was not economic. On 6 June 2018 OPSB exercised its right to terminate the RSC, providing PETRONAS with 90 days written Notice of Termination.

RSC Termination results in PETRONAS, as the owner of the field, assuming responsibility for the field, accepting novation of contracts and reimbursement to OPSB of capital and operating costs met by OPSB and not previously reimbursed.

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).

Octanex's contributions to OPSB have largely been funded by a US$12 Million Convertible Note facility (presently drawn to US$8Million) with Sabah International Petroleum (SIP). It was structured for the purpose of meeting Octanex's contributions to OPSB and working capital requirements.

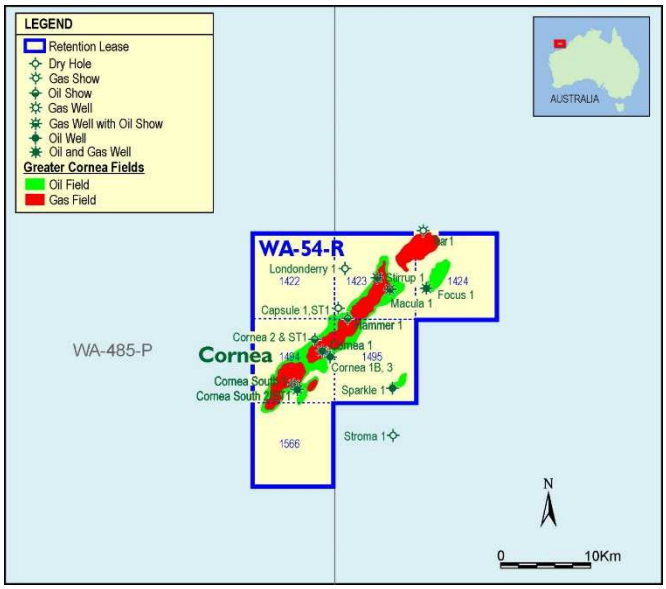
Advances made by Octanex and other shareholders to OPSB are subordinated to OPSB's Project Financing Facilities. As a result of which, payments from OPSB to Octanex can only follow repayment of the Project Financing Facilities.

Amounts repaid by OPSB to Octanex will be required to redeem the SIP Convertible Note facility, 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).

Octanex does not presently anticipate receiving a surplus of funds following a full redemption of the SIP Convertible Note facility, at the level presently drawn.

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 Greater Cornea Fields present a large in-place oil resource contained in a challenging reservoir. At the time the Retention Lease was applied for and granted, production uncertainty was identified as the primary constraint to development. A successful production test well designed to demonstrate threshold

productivity for development initiation is required to commercialise Cornea.

Given the favourable prevailing oil price when the Retention Lease was applied for (October 2013), numerous field development concepts were then considered to be economic (subject to achieving threshold production volumes).

The current oil price environment therefore presents a further significant challenge to the Cornea field's commerciality, having rendered as non-viable the field development concepts previously considered as potentially viable.

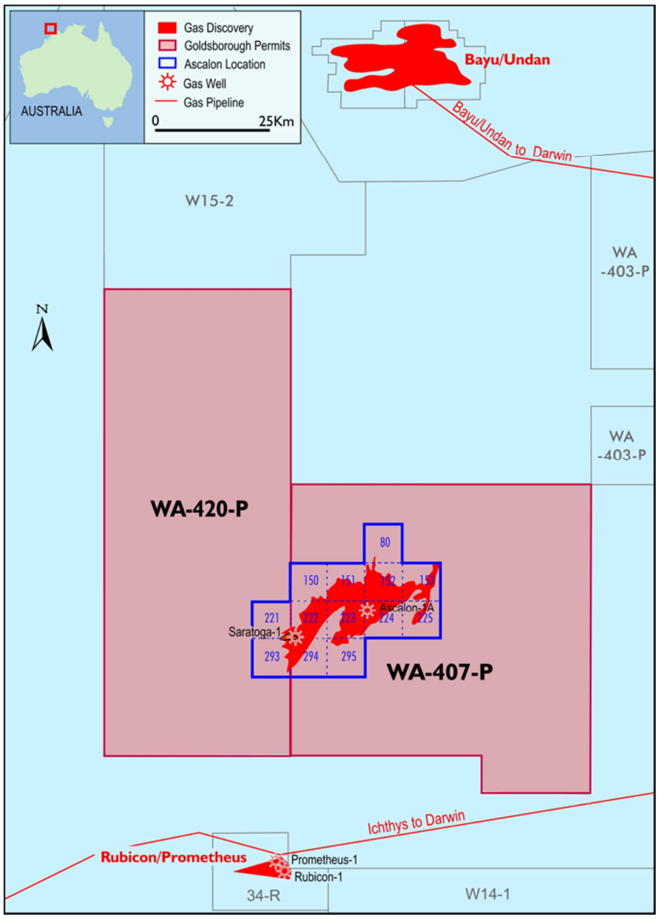
Reflecting our markedly reduced oil price expectations, new development concept screening was undertaken with the objective of identifying a field development concept with the potential to be commercial at current oil prices in the order of US$50 a barrel.

Following this screening, a field development concept predicated on the use of a Mobile Offshore Production Unit (MOPU) with a subsea holding tank and single point mooring has been selected for further investigation. This concept is significantly different to earlier concepts, with implications for significant cost reduction.

Integrated reservoir modelling and facilities work continued during the quarter to support design of a production test well capable of delivering threshold productivity using this development concept. The Cornea Joint Venture has applied to vary the conditions of WA-54-R to facilitate this work.

Our studies indicate that an oil price than can confidentially be expected to be consistently above $80 a barrel for a number of years would be required to justify any decision to develop.

Ascalon Gas Discovery, Bonaparte Basin 100% interest

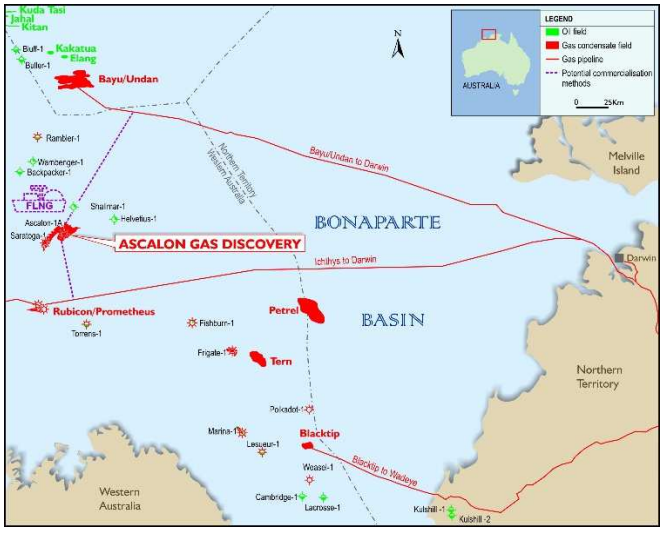


Ascalon gas accumulation location map

Discovered in 1995 by Mobil, the Ascalon gas accumulation is located mostly within exploration permit WA-407-P and extends into the adjacent WA-420-P.

The gas is contained in a faulted horst structure within marine sandstones of Late Permian age. Mapping of the modern 3D seismic database, which we shot over the feature, together with reprocessed 2D seismic, indicates a closure over an area of 260km2 with a maximum closure height of 380m. The lowest closing contour appears coincident with lowest known gas defined from logs in the Ascalon-1A well.

Ascalon is located in proximity to a number of gas discoveries, some of which may be commercialised in coming years, including the Petrel and Tern discoveries. The potential for development of nearby gas discoveries are considered to represent potentially viable opportunities for Ascalon to be developed to tie-back to other developments. The field is also located in close proximity to the Bayu-Undan field and to the Bayu-Undan pipeline to Darwin, as well as the Icythys pipeline to the Inpex LNG facility under development in Darwin, thus offering further potential opportunities.



Ascalon proximity to gas infrastructure

Following advice by NOPTA that activities to address uncertainties regarding the Ascalon accumulation should be undertaken as Exploration Permit activities, rather than under a Retention Lease instrument, Octanex has pursued several work streams in relation to appraisal of the Ascalon accumulation.

These include to review in-place resource estimates, multidisciplinary review and assessment of the Ascalon data-set, pore pressure study and well deliverability modelling. These activities are ongoing with the objective of derisking the gas volumetric assessment.

Dampier Sub-Basin
WA-323-P & WA-330-P, 25% interest
Operated by Santos

During the quarter Octanex notified Santos that it has agreed to surrender WA-330-P, as recommended by Santos. The permit was in year-4 of its final 5 year term, with the work program included a well in year-5, should either Santos or Octanex have decided to continue into that permit year.

Also during the quarter, the same joint venture decided not to lodge an application for Retention Lease in respect of the Winchester gas discovery in WA-323-P. That permit is in year 5, ending on 5 July 2018, and is not capable of renewal.

The joint venture had intended to lodge an Application for Retention Lease prior to expiry of WA-323-P and a Location over the Winchester gas accumulation was sought and obtained as a prerequisite for such purpose.

In order for a Retention Lease to be granted, a block must contain petroleum and two other criteria must be satisfied; first, that the recovery of the petroleum is not currently commercially viable and, secondly, that the recovery of the petroleum is likely to become commercially viable within fifteen years. The operator formed the view that efforts to demonstrate the future commercial viability test were not sustainable. Accordingly the permit will expire on 5 July 2018.

Rae Clark

Executive Director
& Chief Operating Officer
2 July 2018