

20 May 2014

OCTANEX LOAN TO PEAK AND ASX WAIVER TO LISTING RULE 10.1

As announced today, Peak Oil & Gas Limited (**Peak or Company**) (ASX Code: PKO) and Octanex NL (**Octanex**) (ASX Code: OXX) have entered into an Implementation Agreement as an initial step in the proposed Scheme of Arrangement to be undertaken by Peak whereby it is proposed that Peak merge into Octanex.

Prior to completion of the Scheme, Peak requires funding in order to meet its ongoing project and corporate expenses. Octanex and Peak have entered into a loan facility agreement (**Loan Facility**) with associated security documentation, whereby Octanex will fund Peak's budgeted outgoings until the end of this calendar year. The loan will enable Peak to complete the South Block A seismic program in North Sumatra and to fund the initial costs of preparation for a well, targeting oil, later this year.

Key principles of the Loan Facility are as follows:

- a) The facility covers Peak's expected financial obligations to the end of calendar 2014 by which time the Scheme is expected to be completed.
- b) Loan drawdown is on a monthly basis against a cashflow forecast prepared by Peak and agreed by Octanex
- c) Interest rate is set at 2% above the rate charged from time to time by National Australia Bank Limited on overdraft amounts of not less than \$100,000 or such other rate as may be agreed from time to time between the Borrower and the Lender.
- d) Provided the Scheme is successfully completed, the Loan Facility will become internal to Octanex. However, should the Scheme not be completed, then Peak will be required to repay the Loan facility within a timeframe agreed by Octanex
- e) Security in the form of a charge (**Charge**) over Peak's assets has been granted to Octanex to secure repayment of the Loan Facility

ASX Waiver to Listing Rule 10.1

Peak has sought a waiver to Listing Rule 10.1 from the ASX which has been granted subject to the following conditions:

1. "The Loan Facility and the Charge include a term that if an event of default occurs and Octanex, or any of its associates, exercise their rights under the Charge, neither Octanex nor any of its associates can acquire any legal or beneficial interest in the Company or an asset of the Company in full or part satisfaction of the Company's obligations under any of the Loan Facility or Charge, or otherwise deal with the assets of the Company, without the Company first having complied with any applicable listing rules, including listing rule 10.1, other than as required by law or through a receiver, or receiver and manager (or any other person acting on behalf of any of the Octanex) appointed by Octanex exercising its power of sale under the Loan Facility or Charge and selling the assets to an unrelated third party on arm's

length commercial terms and conditions and distributing the cash proceeds to Octanex or any of its associates in accordance with their legal entitlements.

2. A summary of the material terms of the Charge is made in each annual report of the Company while the Charge is held over the Company and its assets
3. Any variations to the terms of any of the Facility or the Charge which is:
 - a. Not a minor change; or
 - b. Inconsistent with the term of the waiver must be subject to shareholder approval.
4. The Company must seek to discharge the Charge when the funds advanced under the Loan Facility have been repaid, or if they are not discharged, seek shareholder approval for the continuation of the Loan Facility for any further loan facility amount.
5. The Company immediately releases to the market an announcement which sets out the terms of the waiver, and the Company's plans with respect to the repayment of the funds advanced under the Loan Facility and the discharge of the Charge, including the timeframe within which it expects the repayment and discharge to occur, including how the Charge may be dealt with under the proposed scheme of arrangement."

Repayment Plans

Provided the Scheme is successfully completed, repayment of the Loan Facility and administration of the Charge will become an internal matter for Octanex as Peak will have become an Octanex subsidiary.

Mindful of the Company's financial position, should the Scheme not be successfully completed, then Peak will have an outstanding debt to Octanex, secured by the ongoing Charge and governed by the relevant agreements. In this instance, repayment could be affected through a number of mechanisms, or a combination thereof, including:

- i. Raising new equity funds;
- ii. Refinancing the debt with Octanex or an alternate lender; or
- iii. Disposing of any assets which are otherwise released by Octanex from the Charge for the purposes of raising funds to repay the Loan Facility.

Repayment of the Loan Facility would release Peak's assets from the Charge.

For further information please contact:

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