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COMMITMENT TO DRILL MATUKU-1

PEP 51906 – TARANAKI BASIN, NEW ZEALAND

KEY POINTS:

- **The PEP 51906 Joint Venture has made a formal commitment to drill the Matuku-1 well in the offshore Taranaki Basin**
- **Octanex will be free carried by OMV through all of the Matuku-1 drilling operations**
- **The well is currently programmed to spud in late Q3 2013 and will be drilled by the Kan Tan IV semi-submersible drilling rig**
- **An additional rig slot has been secured to drill a Matuku appraisal well, in the event of success at Matuku-1**
- **Octanex will be free carried by NZOG through any Matuku appraisal drilling**
- **In a success case, OMV has estimated the mean recoverable resource for the Matuku prospect as approximately 65 million barrels.**
- **Further attractive targets have been identified in the permit**

Octanex N.L. ***(ASX Code: OXX)*** (**Octanex** or **Company**) is pleased to advise that OMV New Zealand Limited (**OMV**), as Operator of the Joint Venture exploring the PEP 51906 permit (**Permit**), has formally committed to the regulatory authority (New Zealand Petroleum & Minerals) to drill a well in the Permit. The terms of the original grant of the Permit required that a well commitment be made by 18 May 2013 or the permit be surrendered.

Octanex, through its wholly owned subsidiary Octanex NZ Limited, holds a 22.5% participating interest in PEP 51906, with OMV holding a 65% interest and New Zealand Oil & Gas Limited (**NZOG**) ***(ASX Code: NZO)*** the remaining 12.5% interest in the Permit.

PEP 51906 is located in the offshore Taranaki Basin of New Zealand, where the Company also holds varying participating interests in three other permits – see the *Location Map of the Octanex Taranaki Basin Permit Interests* at Figure 1.

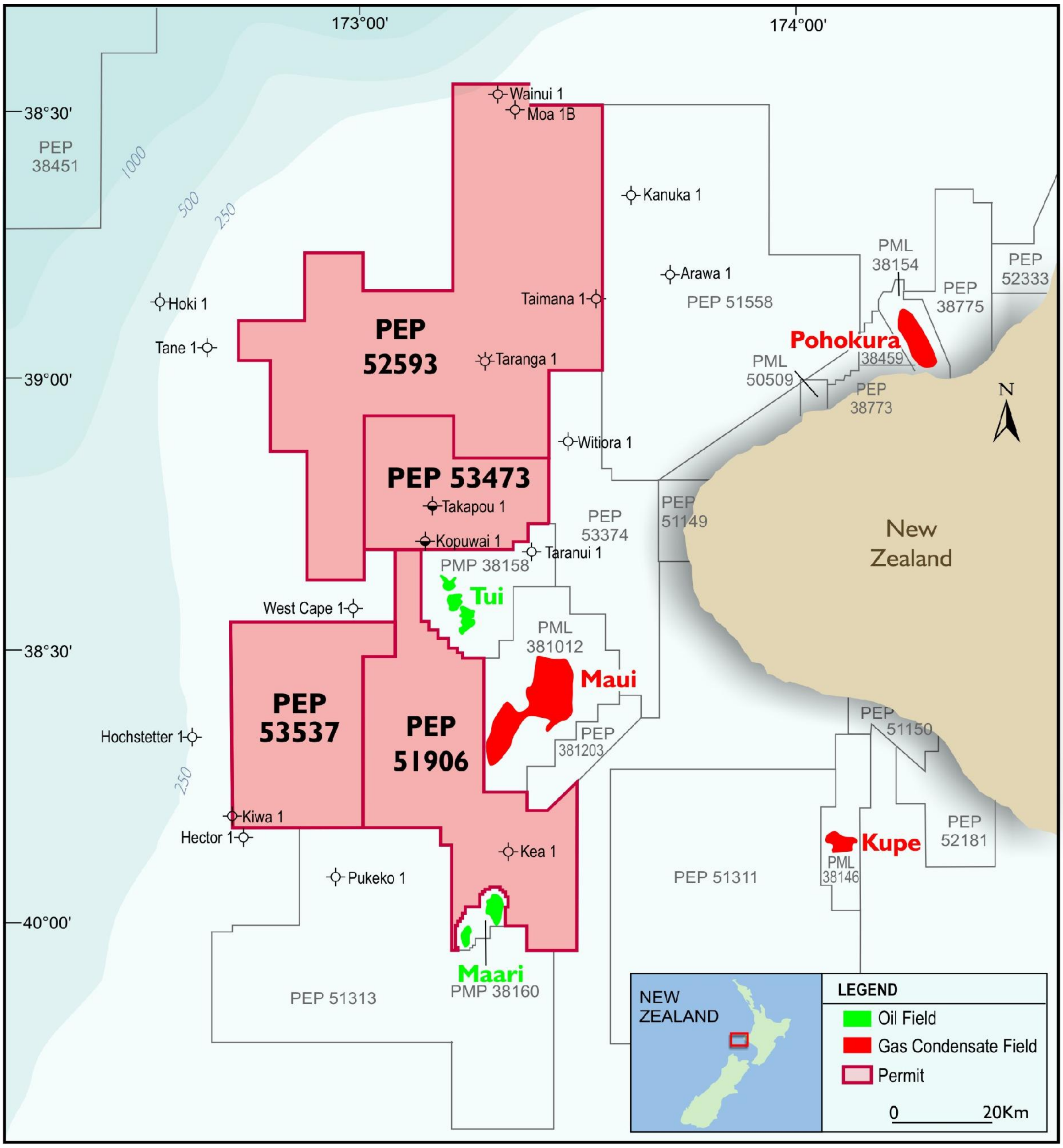

Figure 1: ***Location Map of the Octanex Taranaki Basin Permit Interests***

Matuku-1 will be the commitment well in the Permit. It is programmed as a vertical well to be drilled in water depths of approximately 130m, to a planned total depth of approximately 4756m MDRT (measured depth below rotary table) and to take 40 days to drill.

The initial farmout of the 65% interest in the Permit to OMV provides that Octanex be free carried by OMV through all phases of a (since completed) new 3D seismic programme and the drilling of the first exploration well in the Permit. Matuku-1 will be that carried well.

As announced in December 2012, and following an extensive search and evaluation process, OMV contracted the Kan Tan IV semi-submersible drilling rig to drill the Matuku-1 well in the Permit. The Kan Tan IV is capable of operating in water depths up to 600m and drilling to depths of approximately 7600m – see the *Kan Tan IV Semi-submersible Drilling Rig* at Figure 2.

Figure 2: ***Kan Tan IV Semi-submersible Drilling Rig***

The Kan Tan IV mobile offshore drilling unit (MODU) is operated by Frigstad Offshore Ltd, a private company providing management services for offshore drilling rigs. The rig is currently completing operations in China, after which it will undergo biosecurity cleaning and then be transported to New Zealand.

OMV is planning to drill a number of wells in the offshore Taranaki Basin, beginning in Q3 2013, with Matuku-1 to be the second well drilled in that multi-well programme. Matuku-1 has a currently scheduled spud date of mid-September – see the *Matuku-1 Well Location* at Figure 3.

In the event of success at Matuku-1, the most likely follow up well to appraise a discovery would be sited on the northern lobe of the Matuku Prospect. As part of the contract with Frigstad Offshore, there are contingent plans for the Kan Tan IV to drill Matuku-2 in the event of a discovery being made at Matuku-1 – see the *Potential Matuku-2 Well Location* at Figure 3.

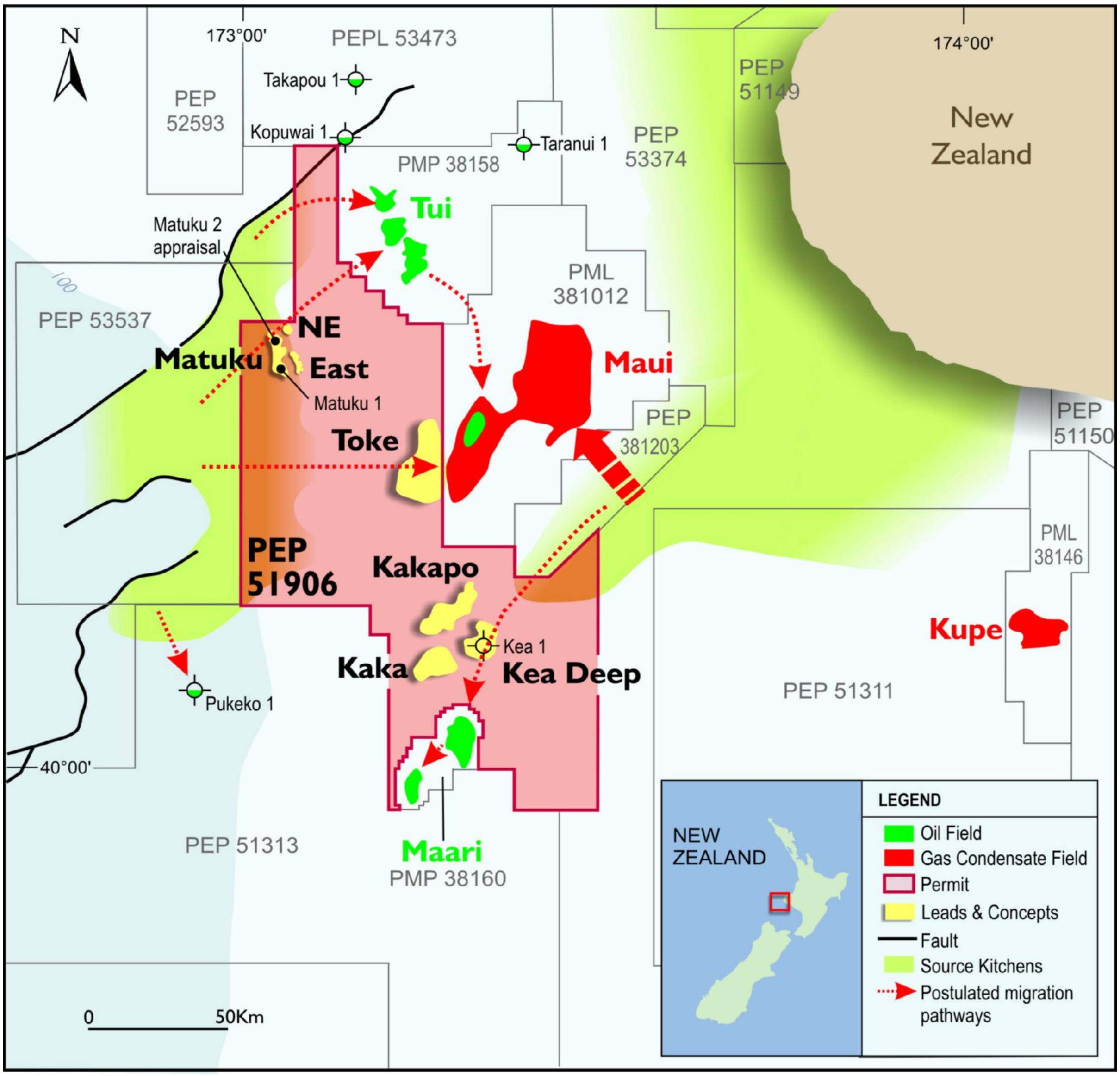

Figure 3: ***Matuku-1 and Potential Matuku-2 Well Locations and follow up Targets Map***

In November 2012, the Company sold a 12.5% interest in the Permit to NZOG for US$12.5M that will see a significant cash inflow to Octanex during 2013. The sale agreement also included an option to transfer a further 5% interest in the permit to NZOG that, if exercised by either party, will result in Octanex being free carried through the drilling of the Matuku-2 well, should Matuku-1 be a discovery and a follow up appraisal well drilled.

In preparation for drilling, site surveys over the planned location of Matuku-1, and over the potential Matuku-2 appraisal well location, were undertaken during Q1 2013. Site surveys were also carried out over relief well locations adjacent to both sites, as were pre-drill environmental baseline and monitoring surveys. Comprehensive environmental and safety management documentation for the drilling operations is being prepared.

As a result of the work done on the new 3D data OMV acquired as part of the farmout arrangements, and following a variety of detailed studies, OMV advised Octanex that its mapping of the Matuku structure confirmed it as a valid structural closure at the target levels, with estimated mean recoverable resource, if there are hydrocarbons in the prospect, of approximately 65 million barrels.

The studies undertaken by OMV indicate that the Matuku prospect is robust. It has a perceived low risk associated with the existence of the structure, presence of suitable reservoir rock and adequacy of seal. OMV's basin modelling studies suggest the presence of a substantial source kitchen (within the Kahurangi Trough to the immediate south and west of the prospect) that is mature for the generation of oil.

In addition to the Matuku prospect, OMV has also identified further potential follow up targets, situated to the north and east of the main Matuku feature, warranting further investigation in the event of success at Matuku-1 – see the locations of the *Follow up Targets* at Figure 3.

Octanex Comment

The formal commitment to the regulatory authority to drill a well in the Permit is another major milestone for the PEP 51906 Joint Venturers along the way to drilling the Matuku-1 well. The identification and maturing of the Matuku structure into a drillable prospect, OMV's commitment to Octanex to drill Matuku-1, the contracting of a rig and now the formal commitment to New Zealand Petroleum & Minerals to drill an exploration well, will result in that well being the first test of the potential oil accumulations within PEP 51906.

At the time the initial farmout to OMV was announced in March 2011, Octanex commented that it was *"confident OMV will be able to bring to bear a considerable amount of exploration and operational experience and knowledge regarding the hydrocarbon potential within PEP 51906*", and so it has proved.

Octanex has always considered PEP 51906 to have the potential to contain a number of discrete oil accumulations and was therefore delighted to have secured a farminee of the substance and experience of OMV in relation to the on-going exploration of the Permit. OMV made it clear from the beginning of the Joint Venture operations it is committed to an in-depth exploration of the Permit.

By Order of the Board

J.G. Tuohy
Company Secretary

20 May 2013