Octanex N.L.

ABN 61 005 632 315

Level 21
500 Collins Street
Melbourne Victoria 3000 Australia

Tel: +61 (0)3 8610 4702
Fax: +61 (0)3 8610 4799
Email: admin@octanex.com.au
Website: www.octanex.com.au

MATUKU-1 WELL DUE TO SPUD

PEP 51906 – OFFSHORE TARANAKI BASIN – NEW ZEALAND

KEY POINTS:

- **Matuku-1 well is due to spud within the next 5 days, with handover of the Kan Tan IV drilling rig imminent**
- **Octanex is being free carried by OMV through the Matuku-1 well**
- **In a success case, OMV has estimated the mean recoverable resource for the Matuku prospect as approximately 65 million barrels**
- **Matuku-1 has been designed to test multiple potential target zones**
- **In the event of success at Matuku-1, an additional rig slot has been secured to drill a Matuku follow up well**
- **Octanex will be free carried by NZOG through any Matuku follow up well**

Octanex N.L. ***(ASX code: OXX)*** (**Company**) is pleased to report that OMV New Zealand Limited (**OMV**), the Operator of the Joint Venture exploring PEP 51906 (**Permit**), has advised the Company that the Matuku-1 well is due to spud within the next 5 days, most likely on Friday, 22 November 2013.

The Permit is located in the offshore Taranaki Basin of New Zealand (see Figure 1), where the Company's wholly-owned subsidiary, Octanex NZ Limited (**Octanex NZ**), also holds varying participating interests in three other permits – see the *Location Map* of the Octanex NZ permit interests attached to this announcement as Figure 4.

Octanex NZ holds a 22.5% participating interest in the Permit; with OMV holding a 65% interest and New Zealand Oil & Gas Limited (**NZOG**) ***(ASX Code: NZO)*** the remaining 12.5% interest. OMV acquired its 65% interest as a result of farming into Octanex NZ's then 100% interest in the Permit; while NZOG purchased its 12.5% interest from Octanex NZ in November 2012.

As part of its original farmin arrangements, OMV agreed that Octanex NZ would be free carried through all phases of a 3D seismic survey and the first well drilled in the Permit. Matuku-1 will be that free carried well and it will fulfil the Permit's work programme requirement to drill an exploration well by 18 March 2014.

Matuku-1 is programmed as a vertical well to be drilled by the Kan Tan IV semi-submersible rig in water depths of approximately 130m. Dependent upon the results while intersecting the zones of interest (*as detailed below*), the well will be drilled to a potential total depth (**TD**) of approximately 4750m MDRT (measured depth below rotary table). Matuku-1 is scheduled to take 45 days to drill to TD and then abandon – see the Figure 1 *Location Map* for Matuku-1.

The Kan Tan IV is capable of operating in water depths up to 450m and drilling to depths of approximately 7600m. The rig is a mobile offshore drilling unit (MODU) operated by Frigstad Offshore Ltd, a company providing management services for offshore drilling rigs – see Figure 2, *The Kan Tan IV Semi-submersible Rig*.

The handover of the rig to the PEP 51906 Joint Venture is currently scheduled to take place on 19 November, with OMV taking the rig from the joint venture that recently completed drilling the Manaia-2/2A well in the adjoining PMP 38160 permit (see Figure 1).

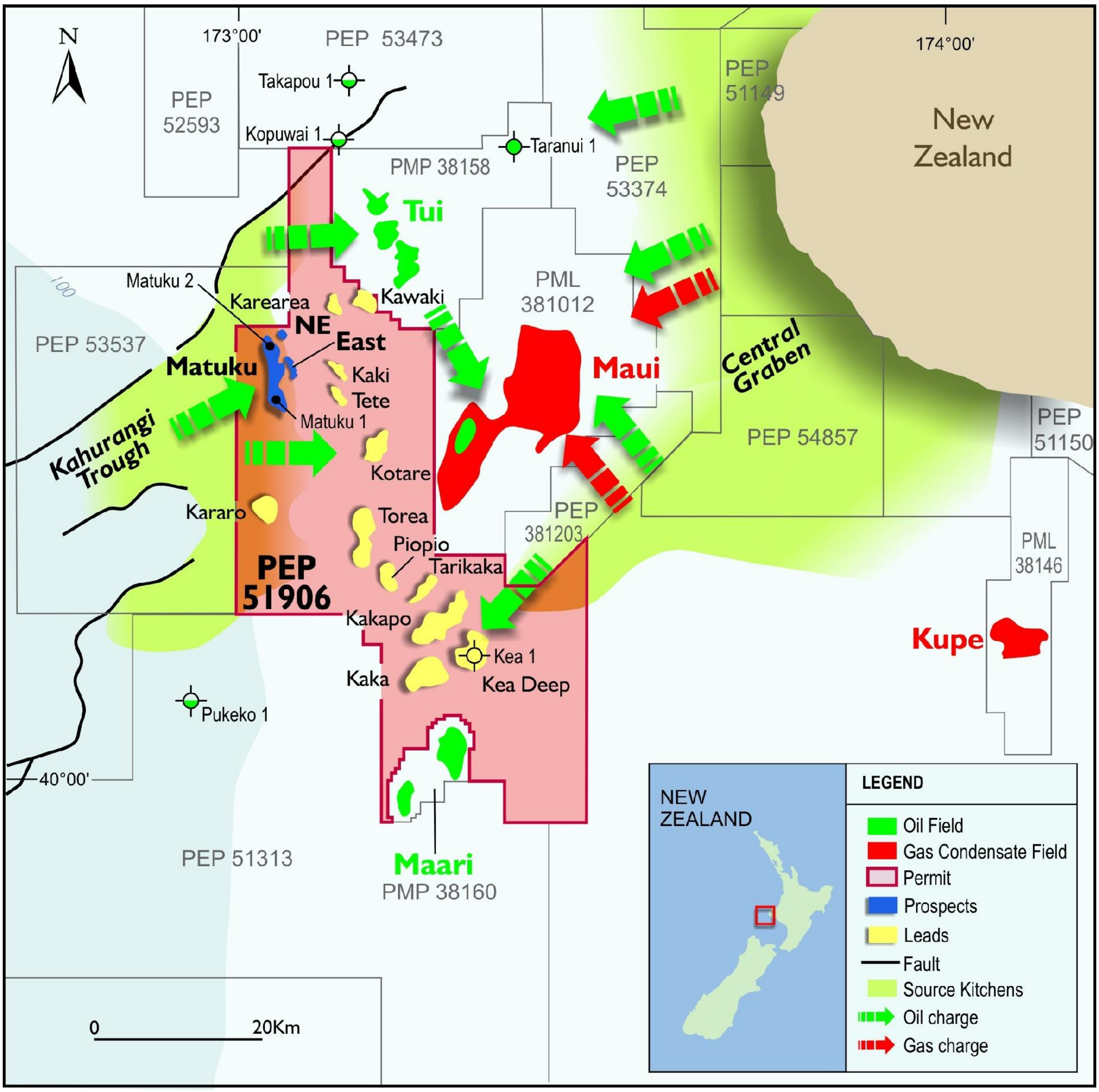

Figure 1: ***Location Map of the PEP 51906 Permit and Matuku-1 and potential Matuku-2 Wells***

Site surveys over the planned locations of Matuku-1 and the potential Matuku-2 wells have been undertaken. Further site surveys were also carried out over relief well locations adjacent to both sites, as were pre-drill environmental baseline and monitoring surveys.

All drilling services are in place and comprehensive environmental and safety management documentation for the drilling operations has been lodged and gained the necessary approvals and consents required from the various regulatory authorities.

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

As a result of the work done on the new 3D data OMV acquired as part of the original 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 an 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 west of the prospect) that is mature for the generation of oil.

Matuku-1 will target the hydrocarbon potential of the Kapuni Group Farewell Formation F sandstone reservoir (T10 sands); with sandstones of the Kapuni Group Kaimiro Formation D Sand (T20 sands) and Pakawau Group North Cape Formation (K90) being secondary targets – see the Figure 3 *Prospect Map* of Matuku and the well targets.

In the event of success at Matuku-1, the most likely follow up well would be sited so as to explore the northern Matuku structure. As part of the contract with Frigstad Offshore, there are contingent plans for the Kan Tan IV to drill a Matuku-2 exploration well, should a discovery be made at Matuku-1 – see the Figure 1 *Location Map* for Matuku-2.

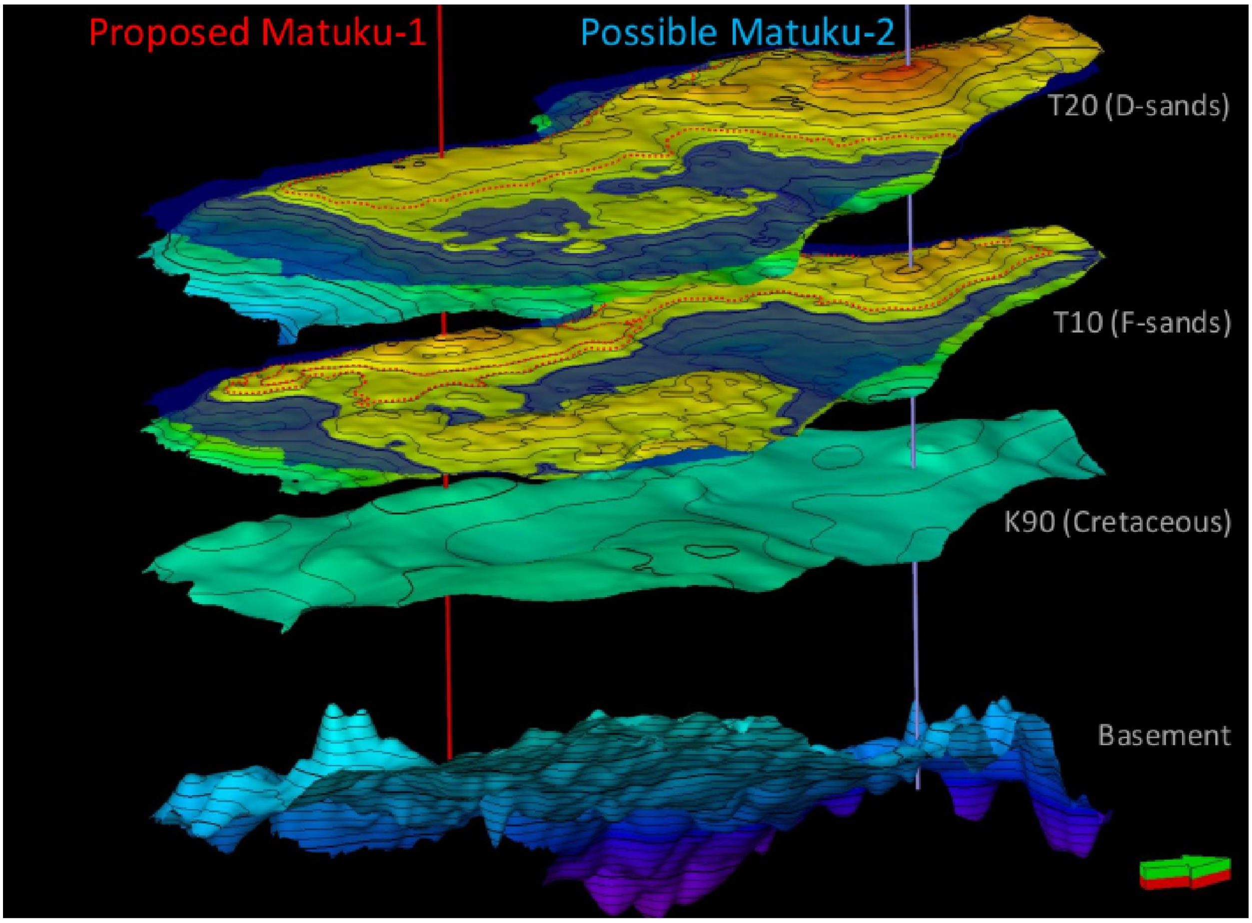

Figure 3: *Matuku Prospect – 3D perspective of Targets*

In November 2012, the Company sold a 12.5% interest in the Permit to NZOG for US$12.5M. The final proceeds from the sale will be settled once the Kan Tan IV is on the Matuku-1 well location. 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 that second well is drilled on the structure.

The next announcement concerning Matuku-1 will be to confirm the well has been spudded and then weekly progress reports on drilling operations will follow.

On behalf of the Board

J.G. Tuohy
Company Secretary

18 November 2013

Figure 4: ***Location Map of the Octanex NZ Taranaki Basin Permit Interests***