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MATUKU-1 WEEKLY PROGRESS REPORT No. 1

PEP 51906 – OFFSHORE TARANAKI BASIN, NEW ZEALAND

Octanex N.L. ***(ASX Code: OXX)*** (**Company**) has been advised by OMV New Zealand Limited, the Operator of the Matuku-1 exploration well being drilled in the offshore Taranaki Basin permit PEP 51906, that at 06:00 hours (NZST) on Tuesday, 10 December 2013, the well was at a depth of 1500m MDRT (measured depth below rotary table) and preparing for the drilling of the 12¼" hole.

Since the well spudded on 30 November 2013, the 30" conductor has been set to 214m MDRT, the 16" hole drilled to the 1500m MDRT current depth and the 13⅜" intermediate casing string run and cemented in.

Planned operations over the coming week are to install the blow-out preventers (**BOP**) and marine riser and carry out function and pressure testing of the BOP and leak-off-tests prior to drilling the 12¼" hole to the next casing point at 3407m MDRT.

Matuku-1 is programmed as a vertical well that is being 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.

Matuku-1 is scheduled to take 45 days to drill to TD and then abandon.

The well is targeting 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 attached Figure 1 *Prospect Map* of Matuku and the well targets.

The Company's wholly-owned subsidiary, Octanex NZ Limited, holds a 22.5% participating interest in the PEP 51906 permit and this interest is being free carried by OMV through the drilling of the Matuku-1 well – see the attached Figure 2 *Location Map* for the Permit and Matuku-1.

The participants in the PEP 51906 permit and its Joint Venture are:

OMV New Zealand Limited	65.0%
Octanex NZ Limited	22.5%
Australia and New Zealand Petroleum Limited *Subsidiary of New Zealand Oil & Gas Ltd* ***(ASX Code: NZO)***	12.5%

On behalf of the Board

J.G. Tuohy
Company Secretary

10 December 2013

Figure 1: ***Matuku Prospect – 3D perspective of Target Zones***

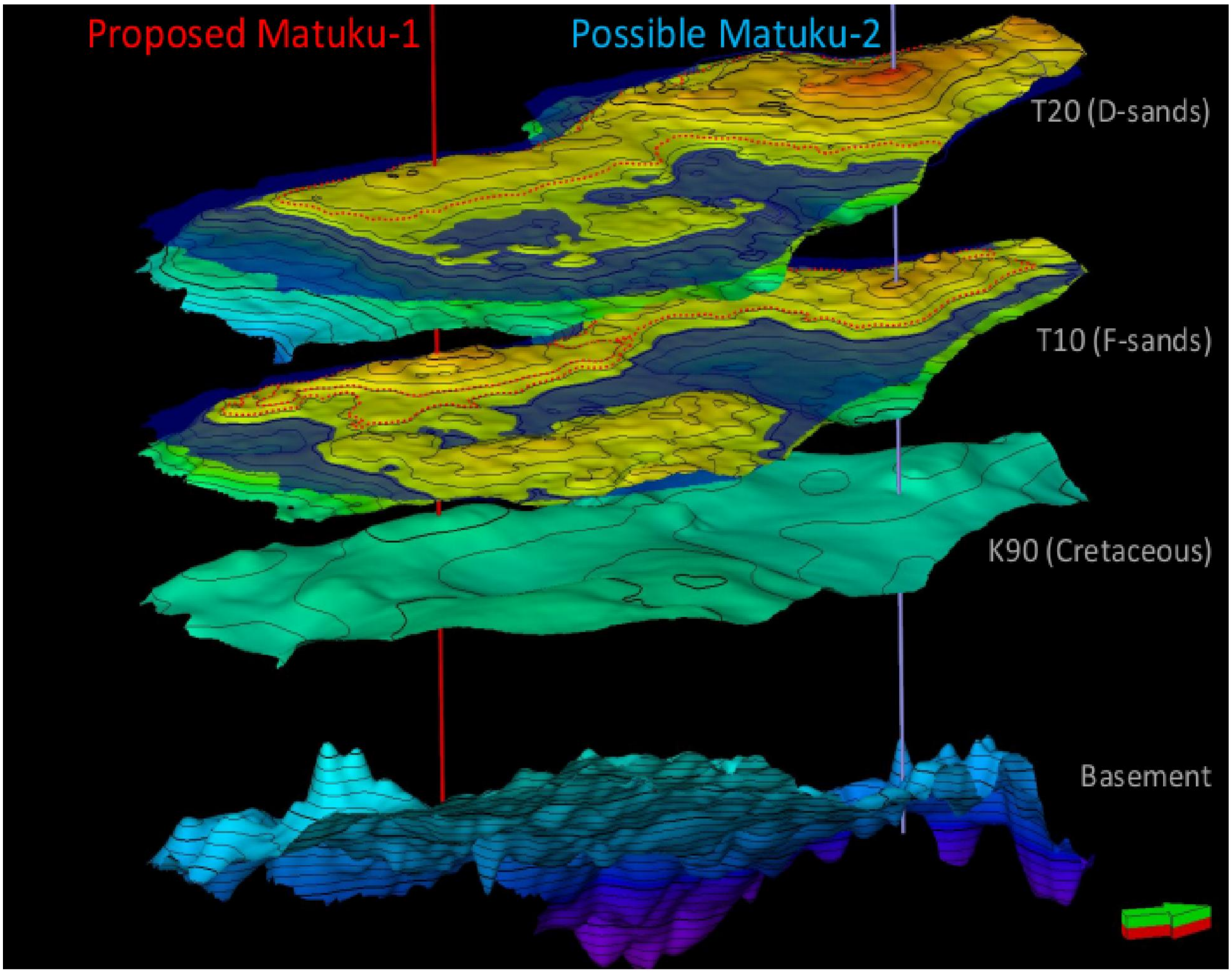

Figure 2: ***Location Map of PEP 51906 and the Matuku-1 Well***