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ACQUISITION OF 25% INTEREST IN DERBY BLOCK: CANNING BASIN

Octanex N.L. (ASX Code: OXX) ("**Octanex**" or "**Company**") is pleased to announce that it has agreed to acquire a 25% interest in a permit to issue in respect of Western Australia petroleum exploration permit application area 5/07-8 EP ("**the Derby Block**") lodged by Oil Basins Limited ("**OBL**") and Backreef Oil Pty Limited ("**BOPL**") pursuant to the provisions of the Petroleum and Geothermal Energy Resources Act 1967 (W.A.) ("**Petroleum Act**"). The purchase price for the 25% interest is \$1.75 million, payable to OBL on Completion, which will only occur after all conditions precedent to the acquisition have been satisfied or waived.

The Derby Block comprises an area of approximately 5,063 km² (approximately 1,251,095 acres) in the onshore Canning Basin south east of Derby (see Figures 1 and 2 below).

The acquisition is subject to a number of conditions precedent, including the grant of a permit for the Derby Block ("**the Permit**") to the applicants (OBL and BOPL) under the Petroleum Act and the settlement of a joint venture operating agreement ("**JVOA**") between the applicants and/or their assignees. In this context, Octanex proposes that OBL be appointed as operator under the JVOA.

The grant of the Permit will be subject to the outcome of a determination by the National Native Title Tribunal ("**NNTT**") in relation to the grant of the Permit as a 'future act' under the Native Title Act 1993(Cth). This process has been managed to date by OBL. Octanex is supportive of the process adopted by OBL and anticipates an early determination by the NNTT.

Octanex considers that the Derby Block is potentially prospective for unconventional oil and gas from shales, as well as gas from coal seams. At this time Octanex is particularly attracted to the potential of the shale formation known as the Laurel Formation. In addition there are a number of other formations which have potential for the discovery of conventional and unconventional hydrocarbons.

Since the application was first made by OBL and BOPL, Buru Energy Limited ("**Buru**") has entered into an arrangement with BOPL as a result of which Buru has agreed to acquire BOPL's 50% interest in the Derby Block. Should the Permit be granted, the initial participants are likely to be Buru with a 50% undivided interest (on completion of the acquisition from BOPL), OBL with a 25% undivided interest and Octanex with a 25% undivided interest (on completion of the acquisition from OBL).

The acquisition of an interest in the Derby Block is a new area of activity for Octanex. Until this time Octanex has concentrated its expertise and activities in the offshore areas of

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Australia and New Zealand. Octanex believes that there are only a limited number of onshore basins in Australia with considerable potential for unconventional shale oil and gas accumulations. It is Octanex's view that the Canning Basin holds out the promise of being one of the best of such possibilities.

There has been a small amount of conventional production along the north eastern flank of the Derby Block, as well as recent conventional oil and gas discoveries elsewhere in the greater Canning Basin region (see Figures 1 and 2). The Canning Basin constitutes an immensely large area for future oil and gas exploration and production. The Derby Block, on the north eastern flank of the basin, is well located geologically and strategically with multiple hydrocarbon play types.

The work program, as proposed in the application for the Derby Block for the initial 6 year term of the Permit, is as follows.

PERMIT YEAR	AGREED WORK PROGRAM	ESTIMATED EXPENDITURE \$Millions
1	500 km 2D seismic	2.7
2	2 wells	3.0
3	2 wells	3.0
4	200 km 2D seismic	1.1
5	1 well	1.5
6	1 well	1.5
Totals	6 wells and 700 km 2D seismic	12.8

OBL has proposed to Octanex that, in due course, the prospective joint venture should seek interest from oil and gas super-majors for a farm-in to the Derby Block. Generally, Octanex is supportive of such a concept, at the right time and in the right circumstances, once initial exploration activities have been carried out, and if those activities enhance the prospectivity of the Derby Block. Such a strategy fits in well with Octanex's present business model.

In association with the acquisition of the Derby Block interest, Octanex has agreed to subscribe for 15 million shares in OBL at an issue price of 3.5 cents per share together with 15 million free 30 June 2014 options exercisable at 4 cents and which are listed under the ASX Code: OBLOB. The total cost of the subscription is \$525,000.

Octanex looks forward to a constructive relationship with Buru and OBL to determine and exploit the potential of the Derby Block. Given the nature of the potential resources, and the substantial area involved, Octanex anticipates a long term involvement in the area.

By Order of the Board



G A Menzies
Director
24 January 2013

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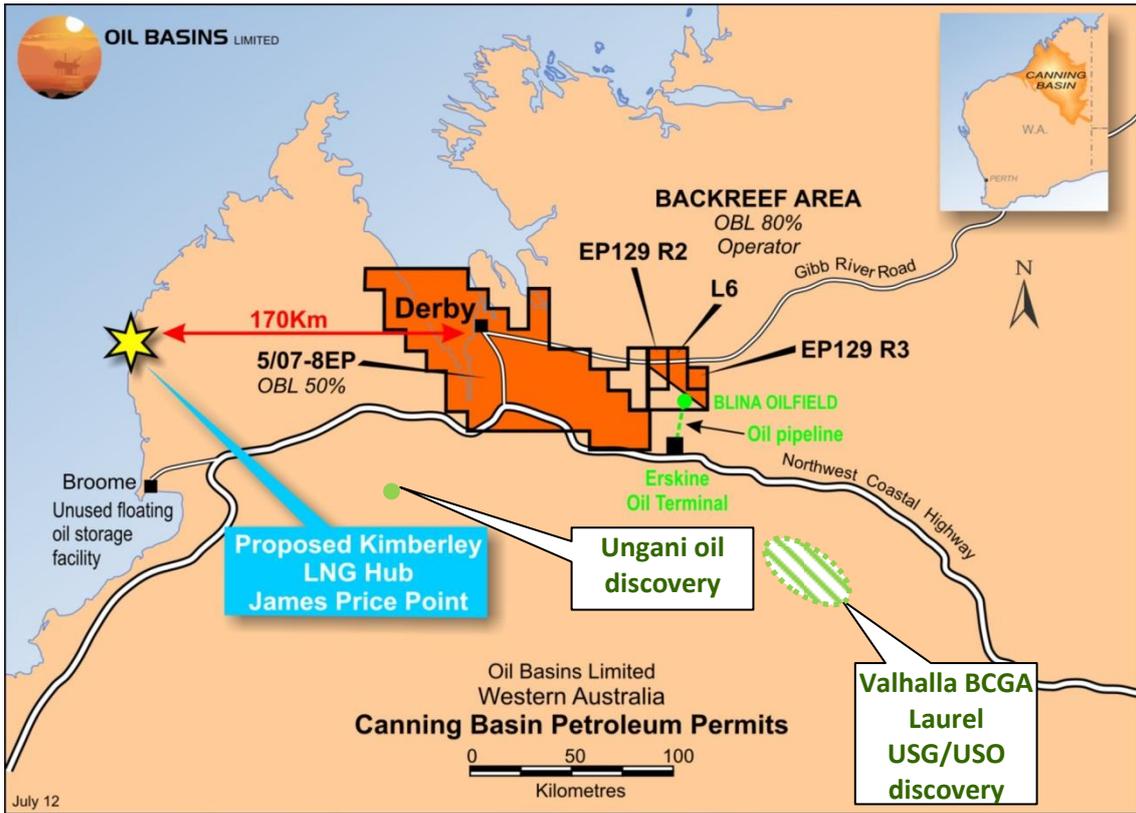


Figure 1: Location of Derby Block (5/07-8EP): Canning Basin

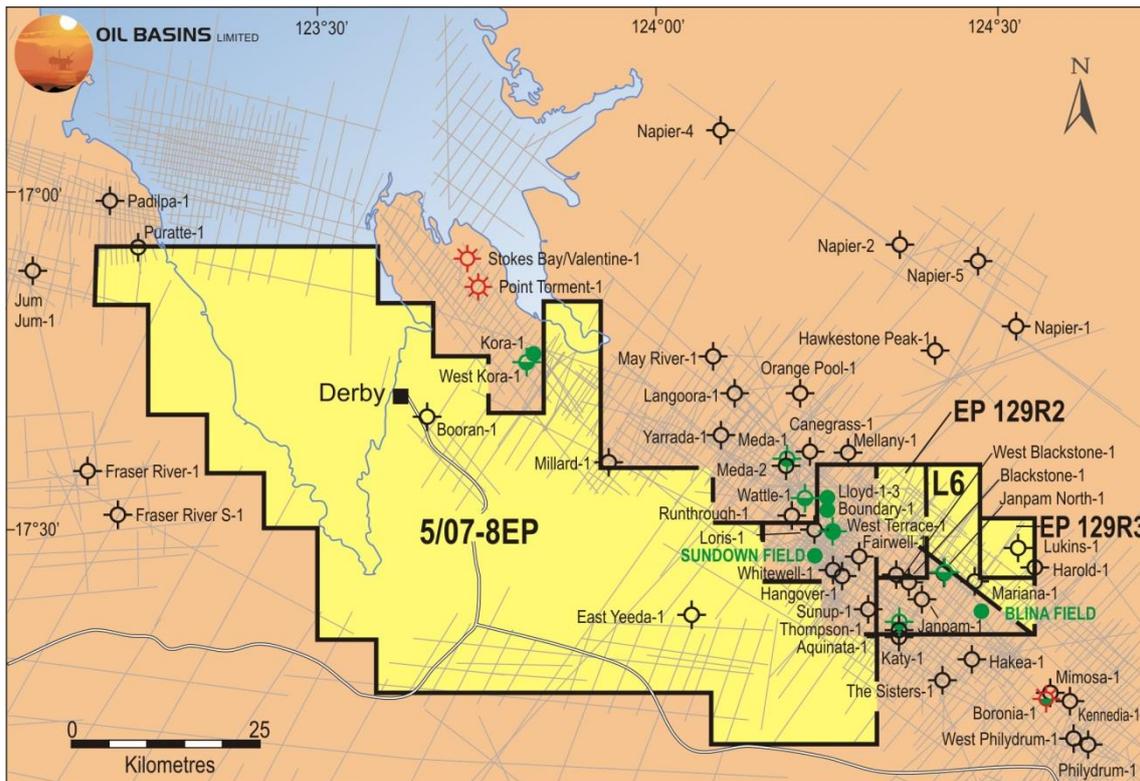


Figure 2: Existing Wells & Seismic Lines – Application 5/07-8EP

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ABOUT OCTANEX N L

Octanex N L (**OXX**) is listed on ASX (ASX codes; *OXX* and *OXXCB*) with an issued capital of 259,406,308 shares of which 152,127,398 are fully paid ((ASX Code *OXX*), 74,278,910 are partly paid to 15 cents with 10 cents remaining outstanding but not subject to calls until subsequent to 31 March 2014 (ASX Code *OXXCB*) and 33,000,000 Trustee shares (held on trust for sale with the proceeds of sale being received by Octanex as capital).

Octanex's primary shareholder is Mr E G Albers and his associates, holding approximately 65.21% of Octanex's issued capital.

The Board of Octanex comprises Mr E G Albers, as Executive Chairman, and Messrs J Willis, D Coombes and G Menzies as non-executive directors.

Octanex has a strong financial position with cash and receivables as at 31 December 2013 of approximately \$27 million (including the US\$12.5 million proceeds of sale of an interest in PEP51906 referred to below) and minimal liabilities.

Octanex's primary business is exploration for oil and gas in offshore Australian and New Zealand waters. Its main focus at present is on three major project areas: offshore Western Australia on the Greater North West Shelf, the Southern Bonaparte Basin offshore from Northern Australia and the Offshore Taranaki Basin, New Zealand.

Octanex's basic business model is to seek opportunities to participate in prospective acreage in early-stage exploration programmes with the aim of up-grading that acreage through seismic acquisition and the development of attractive drilling concepts.

Octanex's* major current activities are focused on:

- **WA-323-P and WA-330-P (Dampier Sub-basin):** Santos has completed the acquisition and processing of a 720 km² 3D seismic survey targeting the Winchester feature. Drilling of Winchester-1 is planned by Santos for Q1/Q2 2013. Octanex is fully carried for a 25% interest in this well. Santos has described Winchester as a material prospect in shallow water with potential high liquids and, in the success case, having multiple development options.
- **PEP51906 (Taranaki Basin):** OMV has completed the acquisition and processing of a new 3D seismic survey and has committed to the drilling of Matuku-1 well – a target with a potential mean recoverable resource of 65MMBLS. Drilling is planned for Q3/Q4 2013. PEP 51906 is adjacent to three producing oil or gas/condensate fields - Maui, Tui and Maari/Manaia. Octanex recently sold a 12.5% interest in PEP 51906 to NZOG for a future cash payment of US\$12,500,000. Octanex continues to hold a 22.5% interest in PEP 51906. Via a put and call option, NZOG can acquire a further 5% interest in PEP 51906 by funding the costs of a Matuku-2 appraisal well, if Matuku-1 well is a discovery.
- **PEP 53473 & PEP 52593 (Taranaki Basin):** Octanex has signed a Farmin Agreement with NZOG whereby NZOG will earn a 50% interest in these permits by funding 75% of the costs of a new 3D seismic programme across and adjacent to the permit area.
- **Exmouth Plateau Permits (WA-362-P, WA-363-P, WA-386-P and WA-387-P):** Octanex holds a 33.333% interest (with the farminee Eni Australia Limited ("**Eni**") holding 66.667%) in each of WA-362-P and WA-363-P. Eni will meet 100% of the cost of the next well (if any) to be drilled in these two permits.

Octanex holds a 100% interest in each of WA-386-P and WA-387-P in the outer Exmouth Plateau. The permits are prospective for large Triassic gas accumulations. Initial 2D seismic surveys have been completed and a further round of infill 2D seismic is planned.

- **Southern Bonaparte Basin Permits (WA-407-P, WA-420-P, WA-421-P, WA-422-P, WA-440-P & WA-441-P):** Octanex holds a 100% interest in these permits, except WA-422-P in which it holds a 60% interest. The permits are in an area which has multiple potential hydrocarbon bearing formations and where there is evidence of working hydrocarbon systems. Octanex has completed three 2D (covering an aggregate area of 2,168 km) and three 3D seismic surveys (covering an aggregate area of 1,258km²) across areas of the six permits. Over 11,000 km of existing 2D seismic data from a wide variety of vintages and surveys was reprocessed, interpreted and mapped as one project as a precursor to these now completed new 2D and 3D surveys. These seismic surveys have been processed and are currently being interpreted. Additionally Octanex has reprocessed vintage 3D surveys totalling approximately 1,700 km², most of which is in WA-420-P.
- **Southern Exmouth Sub-Basin (WA-384-P, WA-385-P & WA-394-P):** Shell owns a 100% interest in these permits. Octanex has significant residual commercial rights in the three permits via discovery payment entitlements (of up to US\$10M per discovery in respect of up to 3 discoveries per permit) and a 1% overriding royalty on all production from each of the permits. In the event of a discovery, the overriding royalty has significant value potential for Octanex. The drilling of an exploration well, Palta-1, in WA-384-P, is underway and continuing.
- **Browse Basin (WA-342-P):** Octanex hold an undivided 18.750% interest in WA-342-P. WA-342-P contains the presently non-commercial Cornea oil and gas accumulation. Studies in relation to the permit and the Cornea structure continue, as do discussions with potential farminees. The Joint Venture is also considering what would be the best permit arrangement and work programme under which to evaluate the Cornea structure and its known oil and gas resource. Consideration is being given to converting the current exploration permit into a retention lease.

All of the above matters have been the subject of recent OXX ASX Releases which can be accessed through the ASX website.

**Insofar as practical and legally and commercially expedient the policy underlying the management of the Octanex group's permits and interests does not differentiate between whether they are owned by Octanex N.L. directly, or indirectly through subsidiaries. All such interests and assets are referred to as being held by "Octanex" or "the Company" or "the Octanex Group".*