

GRANT OF PETROLEUM EXPLORATION PERMIT 487 OVER THE DERBY BLOCK

Octanex N.L. (*ASX Code OXX*) (**Octanex**) has been advised by Oil Basins Limited (*ASX Code OBL*) (**Oil Basins**) that the Department of Primary Industry of the State of Western Australia has granted the Petroleum Exploration Permit 487 (**PEP 487**), covering the Derby block (**Derby Block**), to Oil Basins and Back Reef Oil Limited.

PEP 487 derives from Petroleum Exploration Permit Application 5/07-8. The Derby Block is displayed in the Figure 1 *Location Map*.

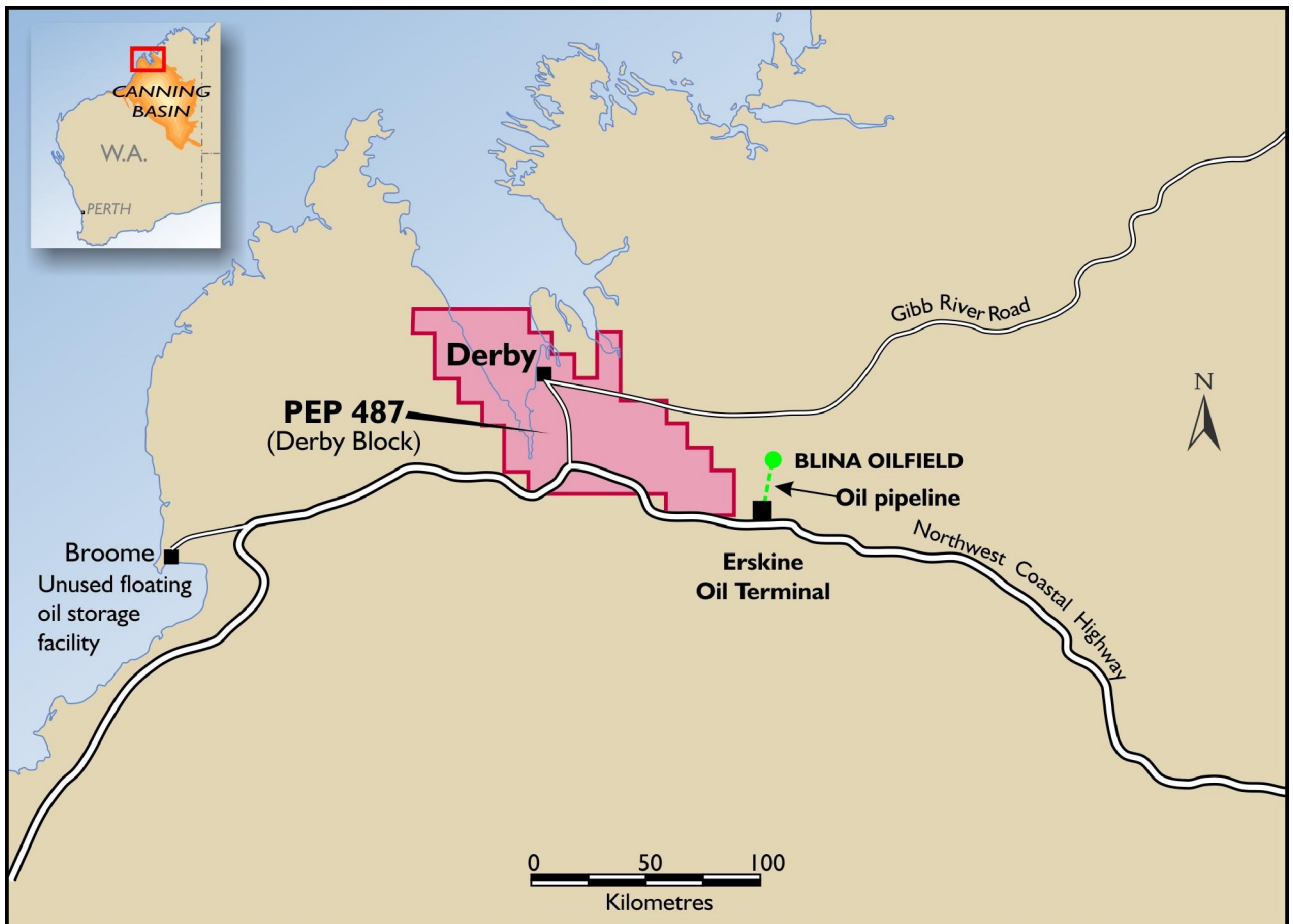


Figure 1: Location of the Derby Block granted as PEP 487

In January 2013, Octanex announced that it had entered into an agreement with Oil Basins to purchase a 25% interest in the Derby Block (**Purchase Agreement**).

The Purchase Agreement is subject to a series of conditions precedent. The primary conditions precedent relate to:

- the satisfactory terms of resolution of the Native Title dispute then in existence;
- satisfactory terms of grant of the Permit;
- approval and registration of the Purchase Agreement as a dealing under the *Petroleum and Geothermal Energy Resources Act 1967* of Western Australia (the Act);
- execution and registration of a transfer of the 25% interest in PEP 487 into Octanex's name; and
- finalisation and registration of a Joint Venture Operating Agreement (**JVOA**) by the PEP 487 permit holders.

The Purchase Agreement was recently extended for a period of 18 months to enable all the conditions precedent to be met. Octanex confirms that:

- (a) the decision of the Federal Court on 23 December 2013, rejecting the appeal of the Native Title Claimants from the earlier National Native Title Tribunal determination on 1 February 2013, satisfies the condition precedent relating to Native Title.
- (b) the grant of PEP 487 on the present terms satisfies the condition precedent relating to satisfactory terms of grant. Octanex will formally agree to abide by and comply with the terms and conditions of PEP 487.
- (c) Octanex supports Oil Basins becoming Operator of PEP 487 under any JVOA which might hereafter be agreed.

Oil Basins has advised Octanex that the Purchase Agreement has been lodged for approval and registration as a dealing under the Act. Registration of the Purchase Agreement will provide Octanex with enforceable rights in relation to PEP 487.

The 25% interest in PEP 487 is the first onshore acquisition made by Octanex and was motivated by Octanex's perception of the high prospectivity of the Derby Block for unconventional oil and gas and coal seam gas.

Octanex stated its views on the prospectivity of the Derby Block in its 2013 Annual Report as follows:

“Octanex considers that the Derby Block is potentially prospective for unconventional oil and gas from shales, as well as gas from coal seams, and there is particular attraction in 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.”

and;

“The acquisition of an interest in the Derby Block is a new area of activity for the Octanex Group....”

and;

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

More detailed information in relation to PEP 487 and the Derby Block can be obtained from material lodged by Oil Basins on ASX. Such information includes the Oil Basins 2013 Annual General Meeting presentation, which comments on the Derby Block and its potential. That presentation sets out OBL's assessment of the Prospective Resources within the Derby Block (*Prospective Resources are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations*).

On behalf of the Board

A handwritten signature in black ink, appearing to read 'J.G. Tuohy', written in a cursive style.

J.G. Tuohy
Company Secretary

24 March 2014