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ASCALON RETENTION LEASE APPLICATIONS

- **JA's prior decision to refuse applications – now null and void**
- **Applications to be re-assessed**
- **Octanex seeking to determine process for re-assessment**

Octanex Limited (**ASX Code: OXX (Octanex)**) advises that it has been notified by the National Offshore Petroleum Titles Administrator (NOPTA) that the Commonwealth-Western Australia' Offshore Petroleum Joint Authority (JA) has decided to treat as null and void their prior decision to refuse Octanex's applications for Petroleum Retention Leases in respect to the Ascalon gas discovery.

The JA has made this decision because Octanex had not been advised that NOPTA recommended that the JA reject the applications, nor had Octanex been given the opportunity to either amend the work program or to provide written advice to the JA on the issue.

Octanex lodged its applications in March 2016, when the Interim Offshore Petroleum Guideline for Grant and Administration of a Retention Lease (Interim Guidelines) were in effect. Section 6.2 (e) of the Interim Guidelines states:

Where NOPTA proposes to recommend that the JA reject an application for retention lease or change an applicant's proposed work program, the applicant must be advised and given the opportunity either to agree to the amended work program or to provide written advice to the Joint Authority on the issue. Discussions should be completed with the applicant, where relevant, on any amendments to the proposed work conditions, and any other amendments to the proposed lease conditions, within four and a half months from receipt of application, unless the applicant requires additional time to consider the proposed work conditions.

The JA now proposes to reassess Octanex's applications and Octanex is in communication with NOPTA and the JA regarding the process by which the JA will reassess the application.

The Ascalon gas discovery is the subject of two Locations granted by the JA, one in WA-407-P and one in WA-420-P.

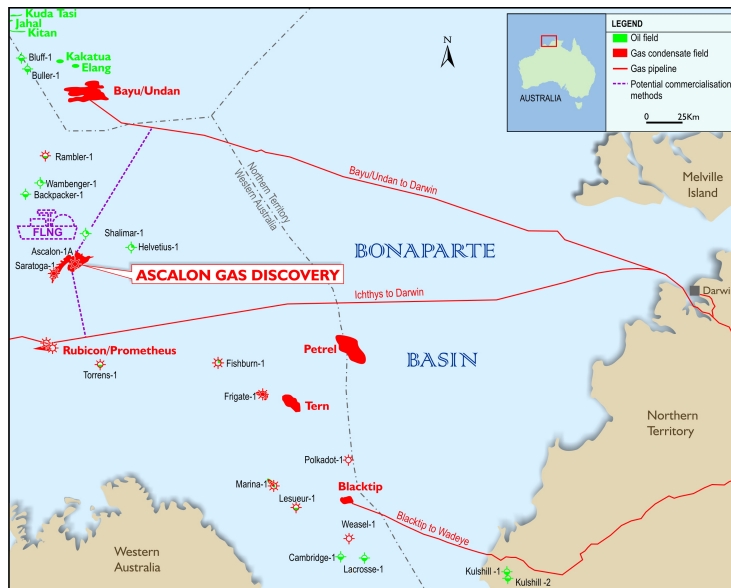
The legislative grounds for grant of a Retention Lease are provided at section 142 of the Offshore Petroleum and Greenhouse Gas Storage Act 2006 and require the satisfaction of three criteria:

- (1) The application areas contain petroleum;
- (2) The recovery of petroleum from the application areas is not presently commercially viable; and
- (3) The recovery of petroleum from the application areas is likely to become commercially viable within 15 years

Octanex had been advised on 10 March 2016 that “The Joint Authority is of the view that the commerciality criteria in section 142 of the Act have not been met in relation to the Ascalon Location, on the grounds that the Ascalon Location is unlikely to become commercially viable within the next 15 years.” No reason was given for this view.

Octanex had previously submitted a comprehensive assessment of viability with its applications. This assessment was underpinned by Ascalon’s size (3.2TCF P50 Contingent Resources), location (proximity to two pipelines – refer diagram below), gas composition (low CO₂ content) and Australia’s predicted domestic gas shortage and forecast global LNG demand.

Octanex had sought to clarify the decision with the JA.



Location of Ascalon Gas Discovery - Proximity to Gas Infrastructure