

OCTANEX NL

ABN 61 005 632 315

HALF-YEAR FINANCIAL REPORT AND DIRECTORS' REPORT

31 DECEMBER 2005

DIRECTORY

BOARD OF DIRECTORS

E.G. Albers (Chairman)
P.J. Albers
A.P. Armitage
C.R. Hart
G.A. Menzies

SECRETARY

D.B. Hill
Level 25,
500 Collins Street,
Melbourne, Victoria 3000

**REGISTERED OFFICE AND PRINCIPAL
ADMINISTRATION OFFICE**

Level 25,
500 Collins Street,
Melbourne, Victoria 3000

Telephone: +61 (03) 9629 6100
Facsimile: +61 (03) 9629 6278
E-mail: admin@octanex.com.au

AUDITOR

PKF
Chartered Accountants
Level 11, CGU Tower
485 La Trobe Street
Melbourne, Victoria 3000

SHARE REGISTRY

ASX Perpetual Registrars Limited
Level 4
333 Collins Street
Melbourne, Victoria 3000
Telephone: (03) 9615 9947
Facsimile: (03) 9615 9744

STOCK EXCHANGE LISTING

Stock Exchange of Newcastle Ltd
384 Hunter Street
Newcastle, NSW 2300 Australia
Website: www.newsx.com.au

NSX Code: OCT

INCORPORATED IN VICTORIA

13 March 1980

WEBSITE

www.octanex.com.au

CONTENTS

Directors' Report.....	1
Directors' Declaration.....	4
Income Statement.....	5
Balance Sheet	6
Cash Flow Statement	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9
Independent Review Report	15
Auditor's Independence Declaration.....	16

DIRECTORS' REPORT

The directors present their report on the results of Octanex NL (the "Company" or "Octanex") for the half-year ended 31 December, 2005.

DIRECTORS

The Directors in office during the entire half-year and to the date of this report are:-

Mr EG Albers (Director since 2/10/1984) Chairman and chief executive officer

Mr Albers specialises in the petroleum industry and has a Bachelor of Laws degree from Melbourne University. He has had many years experience in commercial activities and corporate law. Mr Albers is the Chairman and Public Officer of the Company; his other directorships include Cue Energy Resources Ltd, Bass Strait Oil Company Ltd, Moby Oil & Gas Limited and various unlisted public companies.

Mrs PJ Albers (Director since 23/3/1996) Non-executive director

Mrs Albers is a primary producer whose commercial experience includes acting as director of a number of exploration companies.

Mr AP Armitage (Director since 15/1/1997) Independent non-executive director

Mr Armitage is a Fellow of the Institute of Chartered Accountants in Australia with over 30 years practical experience in business. He has previously practised in the insolvency and management consulting areas and more recently as a business consultant in Asia. Mr Armitage is a Fellow of the AICD.

Mr CR Hart (Director since 25/11/1991) Independent non-executive director

Mr Hart has commercial and technical experience including appointments as a board member of both corporate and civic bodies. Mr Hart is the Managing Director of Methanol Australia Limited, and a fellow of AICD.

Mr G Menzies (Director since 26/8/2004) Independent non-executive director

Mr Menzies is a barrister and solicitor and has carried on practice as a sole practitioner since 1987. He specialises in corporate reconstructions and capital raisings and obtained his Master of Laws from Melbourne University. Mr Menzies is also a director of Moby Oil & Gas Limited.

OPERATING RESULT FOR THE YEAR

The economic entity, being the Company and its controlled entity recorded a profit from ordinary activities for the half-year after income tax of \$29,233.

REVIEW OF OPERATIONS

Octanex holds interests in three oil and gas exploration joint ventures with activities located on the North West Shelf offshore from Western Australia; and a further joint venture with activities offshore from South Australia.

Exmouth Joint Venture (WA-322-P and WA-329-P)

Since inception, the Exmouth Joint Venture acquired an extensive body of existing geological information in relation to WA-322-P and WA-329 P, including a large amount of seismic data, together with pertinent existing reports and basic data collected by previous operators in the area.

On July 8th, 2005, the Exmouth Joint Venture entered into a Sales & Purchase Agreement, Royalty Agreement and Transfer of Title with BHP Billiton Petroleum (BHP) and Apache Northwest Pty Ltd (Apache) for the sale of a 100% interest in Exploration Permit WA-329-P. The sale consists of the buyers becoming responsible for the terms and conditions of the permit, a US\$400,000 cash payment,

DIRECTORS' REPORT (cont)

which was paid August 9, 2005, a deferred cash payment of US\$1,000,000 contingent upon the drilling of a well in WA-329-P, and the grant of an overriding royalty interest in relation to any future hydrocarbon production.

In May 2004 the Exmouth Joint Venture had previously sold WA-322-P to BHP. In return BHP agreed to acquire and process 3D seismic for the adjoining exploration permit WA-329-P, as well as an initial cash payment of US\$600,000, a deferred cash payment of US\$1,100,000 contingent upon BHP drilling a well in WA-322-P, and the grant of an overriding royalty interest should there be future hydrocarbon production from WA-322-P.

BHP and Apache continue to actively explore WA-322-P and WA-329-P, having shot approximately 635 km² of 3D seismic in WA-322-P and 107 km² of 3D seismic in WA-329-P since the acquisition.

Dampier Joint Venture (WA-321-P, WA-323-P & WA-330-P)

Octanex holds a 50% interest and is operator of the Dampier Joint Venture in which the three underlying contiguous tenements comprise a discrete project area of 1,200 kms².

The 1500 km Tourmaline 2D seismic survey, which covered all three permits, was acquired during the half year by the vessel, the Pacific Titan. Acquisition had been due to start earlier in 2005, but was significantly delayed due to operational commitments by the vessel operator, and by delays during the shooting of the survey. Weather and fishing activities all contributed to the delays. The survey was finally completed on 9th November, 2005. As a result of the delay in acquisition, there were significant difficulties in initiating seismic processing using the Perth based contractors Fugro. Seismic processing commenced during early February 2006, and we anticipate that we will receive a final migrated dataset for loading to our workstation by May 2006.

Initial interpretation of the preliminary data plots has taken place and we are hopeful that, following final processing and subsequent detailed interpretation, it will lead to the identification of suitable drilling targets in each permit area.

Western Otway Joint Venture (EPP 34)

Octanex has a 15% interest in the Western Otway Joint Venture. Data acquisition continued during the half-year.

There are more than 10 surveys which have been shot within or adjacent to EPP 34 since 1985 for which digital data appears to be available. Two previous surveys, shot in 1972, are also being considered for reprocessing.

Recent studies have highlighted the potential of the Morum Sub-basin, which is a 40,000 km² area beyond the shelf edge of the south eastern coast of South Australia, at the north-western end of the Otway Basin. Permit EPP 34 runs parallel and adjacent to a large section of this Sub-basin. No wells have been drilled into this deep depocentre. A geochemical analysis of an oil show from a well close to the edge of this depocentre suggests that the oil is a migrated oil and is from a marine source. The oil show is consistent with the modeled development of a significant oil prone source pod in the Morum Sub-basin.

Exmouth Plateau Joint Venture (WA-362-P and WA-363-P)

Octanex holds a 35% interest in the WA-362-P and WA-363-P permits and is operator. The permits are located 200 to 400 km from Western Australia on the Exmouth Plateau – the deep water frontier of the Carnavan Basin, Australia's premier petroleum basin. The permits are situated on the undrilled

northern Exmouth Plateau. Giant gas fields have been discovered to the south. Water depths range between 1000m and 2000m. WA-362-P comprises 132 graticular blocks and covers an area of 10,720 km². WA-363-P comprises 136 graticular blocks and covers an area of 11,045 km².

INVESTMENTS

The Company's investments comprise shareholdings in each of Methanol Australia Limited and Cue Energy Resources Ltd.

The Company holds, as at the date of this report, 4,077,945 shares in Methanol Australia Limited ("MEO"), representing 3.2% of the issued paid up capital of MEO (excluding non-voting trustee stock scheme shares), following Octanex's original sponsorship of MEO (as Timor Sea Petroleum NL) as a publicly listed company in 1998.

Additional information about MEO may be obtained from MEO, from documents lodged by MEO with ASX and from the MEO website www.methanol.com.au

The Octanex Group presently holds 36,380,140 shares, representing 6.9% of the issued capital of Cue Energy Resources Ltd ("Cue").

Cue's main activities are in Papua New Guinea and Indonesia. In Papua New Guinea, Cue holds a current 3.86% economic interest in the production from the unitised SE Gobe oilfield. Cue's Indonesian project is the Sampang PSC (15%), which it holds in joint venture with Santos Ltd (45%) and Singapore Gas (40%). The joint venture has made the Oyong oil and gas discovery and the Jeruk oil discovery in the Sampang PSC, which is located offshore East Java, in the Madura Strait of Indonesia. The Oyong discovery is currently being developed.

Additional information about Cue may be obtained from Cue, from documents lodged by Cue with ASX and from the Cue website www.cuenrg.com.au

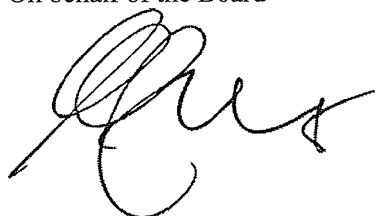
AUDITOR'S INDEPENDENCE DECLARATION

The Company has obtained an independence declaration from the auditor, PKF, a copy of which is attached to this report.

WEBSITE

The Company has a website at www.octanex.com.au where relevant Company documents are displayed.

On behalf of the Board



E.G. Albers
Director

Melbourne, 16th March 2006

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Octanex NL, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) at the date of this declaration there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.



E.G. Albers
Director

Melbourne 16th March 2006

CONDENSED INCOME STATEMENT
HALF-YEAR ENDED 31 DECEMBER 2005

		CONSOLIDATED	
	NOTE	31/12/2005	31/12/2004
		\$	\$
Revenues	2	132,563	24,407
Expenses	2	<u>(122,170)</u>	<u>(131,831)</u>
Profit/(loss) before income tax		10,393	(107,424)
Income tax		<u>18,840</u>	<u>37,037</u>
Profit/(loss) after income tax		<u>29,233</u>	<u>(70,387)</u>
Basic profit/(loss) earnings per share		0.0006	(0.002)
Diluted profit/(loss) earnings per share		0.0006	(0.002)

The condensed Income Statement is to be read in conjunction with the Notes to the Financial Statements.

**CONDENSED BALANCE SHEET
AT 31 DECEMBER 2005**

	CONSOLIDATED	
	31/12/2005	30/6/2005
	\$	\$
CURRENT ASSETS		
Cash and Cash equivalents	2,736,237	2,366,984
Receivables	<u>33,215</u>	<u>185,285</u>
TOTAL CURRENT ASSETS	<u>2,769,452</u>	<u>2,552,269</u>
NON-CURRENT ASSETS		
Other financial assets	8,498,142	14,170,701
Deferred exploration costs carried forward	286,355	368,473
Deferred tax assets	<u>11,450</u>	<u>9,050</u>
TOTAL NON-CURRENT ASSETS	<u>8,795,947</u>	<u>14,548,224</u>
TOTAL ASSETS	<u>11,565,399</u>	<u>17,100,493</u>
CURRENT LIABILITIES		
Payables	286,133	161,461
Current taxation liability	<u>13,489</u>	<u>6,860</u>
TOTAL CURRENT LIABILITIES	<u>299,622</u>	<u>168,321</u>
NON-CURRENT LIABILITIES		
Provisions	18,166	18,166
Deferred tax liability	<u>2,081,832</u>	<u>3,806,667</u>
TOTAL NON-CURRENT LIABILITIES	<u>2,099,998</u>	<u>3,824,833</u>
TOTAL LIABILITIES	<u>2,399,620</u>	<u>3,993,154</u>
NET ASSETS	<u>9,165,779</u>	<u>13,107,339</u>
EQUITY		
Issued Capital	3,956,700	3,956,700
Reserves	6,145,418	10,116,211
Accumulated losses	<u>(936,339)</u>	<u>(965,572)</u>
TOTAL EQUITY	<u>9,165,779</u>	<u>13,107,339</u>

The condensed Balance Sheet is to be read in conjunction with the Notes to the Financial Statements.

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2005**

	CONSOLIDATED	
	31/12/2005	31/12/2004
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Proceeds from sale of tenements	345,186	-
Payments to suppliers and employees	(39,067)	(169,549)
Interest received	<u>63,134</u>	<u>19,995</u>
Net cash from/(used in) operating activities	<u>369,253</u>	<u>(149,554)</u>
Net (decrease) increase in cash assets	369,253	(149,554)
Cash assets at the beginning of the half-year	<u>2,366,984</u>	<u>895,467</u>
Cash assets at the end of the half-year	<u>2,736,237</u>	<u>745,913</u>

The condensed Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	Issued Capital	Reserves	CONSOLIDATED Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2005	3,956,700	10,116,211	(965,572)	13,107,339
Profit for the period	-	-	29,233	29,233
Revaluation of listed shares	-	(3,970,793)	-	(3,970,793)
At 31 December 2005	<u>3,956,700</u>	<u>6,145,418</u>	<u>(936,339)</u>	<u>9,165,779</u>
At 1 July 2004	2,438,776	2,828,055	(1,324,662)	3,942,169
Profit/(loss) for the period	-	-	(70,387)	(70,387)
Revaluation of listed shares	-	5,719,631	-	5,719,631
At 31 December 2004	<u>2,438,776</u>	<u>8,547,686</u>	<u>(1,395,049)</u>	<u>9,591,413</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Octanex NL as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 (AGAAP).

It is also recommended that the half-year financial report be considered together with any public announcements made by Octanex N.L. and its controlled entity during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Statement of compliance

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

The half-year financial report includes a reconciliation of AGAAP to AIFRS equity as at 1 July 2004, 31 December 2004 and 30 June 2005.

(c) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Octanex N.L. and its subsidiary ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Octanex N.L. has control.

(ii) Exploration and Evaluation Costs

Exploration and evaluation costs are accumulated separately for each area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Restoration, Rehabilitation and Environment Costs

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities.

Estimates of future costs are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

(iii) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(v) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Investments in listed entities are classified as available for sale and are measured at fair value, being quoted market prices at reporting date. Increments or decrements in the fair value are recognised directly in equity.

(vi) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(vii) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(viii) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(ix) Share-based payments

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made, the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

(xi) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest - revenue is recognised as the interest accrues.

Sale of Non-Current Assets - revenue is recognised when the company controls the right to receive the associated consideration.

(xii) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(xiii) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xiv) Impairment

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(xv) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable for financial years beginning before 1 January 2005 ("AGAAP") are illustrated below.

(a) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Issued Capital	Reserves	CONSOLIDATED Accumulated Losses	Total Equity
	\$	\$	\$	\$
Equity as at 30 June 2005 - AGAAP	3,935,700	10,116,211	(944,572)	13,107,339
Cost of options exercised in financial year	<u>21,000</u>	<u>-</u>	<u>(21,000)</u>	<u>-</u>
Equity as at 30 June 2005 - AIFRS	<u>3,956,700</u>	<u>10,116,211</u>	<u>(965,572)</u>	<u>13,107,339</u>
Equity as at 31 Dec 2004 - AGAAP	2,438,776	8,526,686	(1,374,049)	9,591,413
Cost of options issued in prior year	<u>-</u>	<u>21,000</u>	<u>(21,000)</u>	<u>-</u>
Equity as at 31 Dec 2004 - AIFRS	<u>2,438,776</u>	<u>8,547,686</u>	<u>(1,395,049)</u>	<u>9,591,413</u>
Equity as at 1 July 2004 - AGAAP	2,438,776	2,807,055	(1,303,662)	3,942,169
Cost of options issued in prior year	<u>-</u>	<u>21,000</u>	<u>(21,000)</u>	<u>-</u>
Equity as at 1 July 2004 - AIFRS	<u>2,438,776</u>	<u>2,828,055</u>	<u>(1,324,662)</u>	<u>3,942,169</u>

During the 2004 financial year, options with a 31 March 2005 expiry date were granted to some specified directors in accordance with the approval of members. In line with AIFRS requirements, the cost of issuing these options is brought to account using an independently determined valuation. The impact of recognising the cost of issuing these options is reflected in the AGAAP to AIFRS reconciliation above. During the 2005 financial year, the value of the options issued was transferred to issued capital due to options being exercised.

(b) Reconciliation of profit/ (loss) after tax under AGAAP to that under AIFRS

There are no material differences between the profit/(loss) after tax under AGAAP and that under AIFRS.

(c) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

	CONSOLIDATED	
	31/12/2005	31/12/2004
	\$	\$
NOTE 2 REVENUE AND EXPENSES		
(i) Revenue		
Interest received	64,456	24,407
Gain from sale of assets	<u>68,107</u>	<u>-</u>
	<u>132,563</u>	<u>24,407</u>
(ii) Expenses		
Administration director related	57,246	30,000
Administration expenses	49,924	57,964
Directors' remuneration	15,000	21,800
Director's retirement benefit	-	18,167
Exploration costs written off	<u>-</u>	<u>3,900</u>
Total Expenses	<u>122,170</u>	<u>131,831</u>

NOTE 3 SEGMENT INFORMATION

The economic entity operates in the petroleum exploration sector within Australia.

NOTE 4 SHARE BUY BACK

In line with the Company's Constitution, the Directors resolved to enter into an on-market share buy-back of a maximum of 5% or 2,482,698 of the Company's shares over a 12 month period from 28 July 2005. No purchases have yet taken place.



Chartered Accountants
& Business Advisers

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF OCTANEX NL

Scope

We have reviewed the accompanying half-year financial report of Octanex NL, which comprises the condensed consolidated balance sheet as at 31 December 2005, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year then ended, summary of significant accounting policies and other selected explanatory notes and the directors' declaration. The financial report includes the consolidated financial statements of the entity and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Octanex NL is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

PKF

PKF
Chartered Accountants

ML Port

M L Port
Partner

16 March 2006
Melbourne



Chartered Accountants
& Business Advisers

16 March 2006

The Directors
Octanex NL
Level 25, 500 Collins Street
Melbourne VIC 3000

Dear Directors

INDEPENDENCE DECLARATION

As lead audit partner for the review of the financial report of Octanex NL for the financial half year ended 31 December 2005 and in accordance with section 307C of the Corporations Act 2001, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours faithfully

PKF

M L Port
Partner

APPENDIX 3

Preliminary Announcement

Half yearly/preliminary final report

Name of *issuer*

OCTANEX N L

ACN or ARBN

61 005 632 315

Half yearly (tick)

✓

Preliminary final (tick)

✓

Half year/financial year

31-Dec-05

Results for announcement to the market

Extracts from this statement for announcement to the market (see note 1).

					\$A,000
Sales (or equivalent) operating revenue (item 1.1)	down	0%	to		-
Operating profit (loss) before abnormal items and tax (item 1.4)	up	109%	to		10
Abnormal items before tax (item 1.5)		loss of	to		-
Operating profit (loss) after tax but before outside equity interests (item 1.8)	up	141%	to		29
Extraordinary items after tax attributable to members (item 1.13)		loss of	to		-
Operating profit (loss) and extraordinary items after tax attributable to members (item 1.16)	up	141%	to		29
Exploration and evaluation expenditure incurred (item 5.2)	down	-59%	to		45
Exploration and evaluation expenditure written off (item 5.3)	up	100%	to		-
Dividends	<i>Franking rate applicable</i>		39%	36%	33%
Current period	¢	N/A	N/A	N/A	N/A
Previous corresponding period	¢	N/A	N/A	N/A	N/A
Record date for determining entitlements to the dividend, (in the case of a trust distribution) (see item 15.2)					
Short details of any bonus or cash issue or other items(s) of importance not previously released to the market:					

Consolidated profit and loss account

(The figures reflect adjustments made to comply with AIFRS)

	Current period \$A'000	Previous corresponding period \$A'000
1.1 Sales (or equivalent operating) revenue	-	-
1.2 Other revenue	133	24
1.3 Total revenue	133	24
1.4 Operating profit (loss) before abnormal items and tax	10	(107)
1.5 Abnormal items before tax (detail in item 2.1)	-	-
1.6 Operating profit (loss) before tax (items 1.4 + 1.5)	10	(107)
1.7 Less tax	19	37
1.8 Operating profit (loss) after tax but before outside equity interests	29	(70)
1.9 Less outside equity interests	-	-
1.10 Operating profit (loss) after tax attributable to members	29	(70)
1.11 Extraordinary items after tax (detail in item 2.3)	-	-
1.12 Less outside equity interests	-	-
1.13 Extraordinary items after tax attributable to members	-	-
1.14 Total operating profit (loss) and extraordinary items after tax (items 1.8 1.11)	29	(70)
1.15 Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 & 1.12)	-	-
1.16 Operating profit (loss and extraordinary items after tax attributable to members (items 1.10 & 1.13)	29	(70)
1.17 Retained profits (accumulated losses) at beginning of financial period	(965)	(1,325)
1.18 Aggregate of amounts transferred from reserves	-	-
1.19 Total available for appropriation (carried forward)	(936)	(1,395)
1.20 Total available for appropriation (brought forward)	-	-
1.21 Dividends provided for or paid	-	-
1.22 Aggregate or amounts transferred to reserves	-	-
1.23 Retained profits (accumulated losses) at end of financial period	(936)	(1,395)

Abnormal and extraordinary items

Consolidated - current period			
Before tax		Related tax	After tax
\$A'000		\$A'000	\$A'000
2.1	Abnormal items		
2.2	Total abnormal items	-	-
2.3	Extraordinary items		
2.4	Total extraordinary items	-	-

Comparison of half year profits*(Preliminary final statement only)*

		Current year - \$A'000	Previous year - \$A'000
3.1	Consolidated operating profit (loss) after tax attributable to members reported for the 1st half year (item 1.10 in the half yearly statement)		
3.2	Consolidated operating profit (loss) after tax attributable to members for the 2nd half year		

Consolidated balance sheet

(See note 5)

Current assets		At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly statement \$A'000
4.1	Cash	2,736	746	746
4.2	Receivable	33	185	119
4.3	Investments	-	-	-
4.4	Inventories	-	-	-
4.5	Other (provide details if material)	-	-	-
4.6	Total current assets	2,769	931	865
Non-current assets				
4.7	Receivables	-	-	-
4.8	Investments	8,498	14,171	8,741
4.9	Inventories	-	-	-
4.10	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	286	284	284
4.11	Development properties (mining entities)	-	-	-
4.12	Other property, plant and equipment (net)	-	-	-
4.13	Intangibles (net)	-	-	-
4.14	Other (provide details if material)	11	9	-
4.15	Total non-current assets	8,795	14,464	9,025
4.16	Total assets	11,564	15,395	9,890
Current liabilities				
4.17	Accounts payable	286	161	221
4.18	Borrowings	-	-	-
4.19	Provisions	31	22	35
4.20	Other (provide details if material)	-	-	-
4.21	Total current liabilities	317	183	256
Non-current liabilities				
4.22	Accounts payable	-	-	-
4.23	Borrowings	-	-	-
4.24	Provisions	2,082	3,825	43
4.25	Other (provide details if material)	-	-	-
4.26	Total non-current liabilities	2,082	3,825	43
4.27	Total liabilities	2,399	4,008	299
4.28	Net assets	9,165	11,387	9,591

Consolidated balance sheet continued

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly statement \$A'000
Equity			
4.29 Capital	3,956	3,979	2,439
4.30 Reserves	6,145	10,116	8,526
4.31 Retained profits (accumulated losses)	(936)	(988)	(1,374)
4.32 Equity attributable to members of the parent entity	9,165	13,107	9,591
4.33 Outside equity interests in controlled entities	-	-	-
4.34 Total equity	9,165	13,107	9,591
4.35 Preference capital and related premium included as part of 4.31	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

	Current period \$A'000	Previous corresponding period \$A'000
5.1 Opening balance	368	177
5.2 Expenditure incurred during current period	45	111
5.3 Expenditure written off during current period	-	(4)
5.4 Acquisitions, disposals, revaluation increments, etc.	(127)	-
5.5 Expenditure transferred to Development Properties	-	-
5.6 Closing balance as shown in the consolidated balance sheet (item 4.10)	286	284

Development properties

(To be completed only by issuers with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period \$A'000
6.1 Opening balance	-	-
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.11)	-	-

Consolidated balance sheet continued*(Comparative figures adjusted for AIFRS compliance)*

	At end of current period \$A'000	June 2005 AIFRS compliant \$A'000	Dec 2004 AIFRS compliant \$A'000
Equity			
4.29 Capital	3,956	3,956	2,439
4.30 Reserves	6,145	10,116	8,547
4.31 Retained profits (accumulated losses)	(936)	(965)	(1,395)
4.32 Equity attributable to members of the parent entity	9,165	13,107	9,591
4.33 Outside equity interests in controlled entities	-	-	-
4.34 Total equity	9,165	13,107	9,591
4.35 Preference capital and related premium included as part of 4.31	-	-	-

Exploration and evaluation expenditure capitalised

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

	Current period \$A'000	Previous corresponding period \$A'000
5.1 Opening balance	368	177
5.2 Expenditure incurred during current period	45	111
5.3 Expenditure written off during current period	-	(4)
5.4 Acquisitions, disposals, revaluation increments, etc.	(127)	-
5.5 Expenditure transferred to Development Properties	-	-
5.6 Closing balance as shown in the consolidated balance sheet (item 4.10)	286	284

Development properties

(To be completed only by issuers with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period \$A'000
6.1 Opening balance	-	-
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.11)	-	-

Consolidated statement of cash flows

(See note 6)

	Current period \$A'000	Previous corresponding period \$A'000
Cash flows related to operating activities		
7.1 Receipts from customers	-	-
7.2 Payments to suppliers and employees	(39)	(169)
7.3 Dividends received	-	-
7.4 Interest and other items of similar nature received	63	20
7.5 Interest and other costs of finance paid	-	-
7.6 Income taxes paid	-	-
7.7 Proceeds from sale of tenements	345	-
7.8 Net operating cash flows	369	(149)
Cash flows related to investing activities		
7.9 Payments for purchases of property, plant and equipment	-	-
7.10 Proceeds from sale of property, plant and equipment	-	-
7.11 Payment for purchases of equity investments	-	-
7.12 Proceeds from sale of equity investments	-	-
7.13 Loans to other entities	-	-
7.14 Loans repaid by other entities	-	-
7.15 Other – exploration costs	-	-
– proceeds from sale of exploration tenement	-	-
7.16 Net investing cash flows	-	-
Cash flows related to financing activities		
7.17 Proceeds from issues of securities (shares, options, etc.)	-	-
7.18 Proceeds from borrowings	-	-
7.19 Repayment of borrowings	-	-
7.20 Dividends paid	-	-
7.21 Other – costs of issue	-	-
7.22 Net financing cash flows	-	-
Net increase (decrease) in cash held	369	(149)
7.23 Cash at beginning of period (see Reconciliations of cash)	2,367	895
7.24 Exchange rate adjustments to item 7.23	-	-
7.25 Cash at end of period (see Reconciliation of cash)	2,736	746

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount

--

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current period \$A'000	Previous corresponding period \$A'000
8.1 Cash on hand and at bank	939	340
8.2 Deposits at call	1,797	406
8.3 Bank overdraft	-	-
8.4 Other (provide details)	-	-
8.5 Total cash at end of period (item 7.25)	2,736	746

Ratios

	Current period	Previous corresponding period
Profit before abnormals and tax/sales		
9.1 Consolidated operating profit (loss) before abnormal items and tax (item 1.4) as a percentage of sales revenue (item 1.1)	0%	0%
Profit after tax/equity interests		
9.2 Consolidated operating profit (loss) after tax attributable to members (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.31)	0.32%	-2.88%

Earnings per security (EPS)

10.1 Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
(a) Basic EPS	0.06	(0.2)
(b) Diluted EPS (if materially different from (a))		

NTA backing*(see note 7)*

	Current period	Previous corresponding period
11.1 Net tangible asset backing per ordinary <i>security</i>	\$ 0.233	\$ 0.268

Details of specific receipts/outlays, revenues/expenses

	Current period A\$'000	Previous corresponding period \$A'000
12.1 Interest revenue included in determining item 1.4	64	24
12.2 Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3 Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	-	-
12.4 Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5 Outlays (excepts those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6 Depreciation (excluding amortisation of intangibles)	-	-
12.7 Amortisation of intangibles	-	-

Control gained over entities having material effect*(See note 8)*13.1 Name of *issuer* (or *group*)
13.2 Consolidated operating profit (loss) and extraordinary items after tax of the *issuer* (or *group*) since the date in the current period on which control was acquired

13.3 Date from which such profit has been calculated

13.4 Operating profit (loss) and extraordinary items after tax of the *issuer* (or *group*) for the whole of the previous corresponding period

Loss of control of entities having material effect*(See note 8)*14.1 Name of entity (or *group*)

--

14.2 Consolidated operating profit (loss) and extraordinary items after tax of the entity (or *group*) for the current period to the date of loss of control

\$

14.3 Date from which the profit (loss) in item 14.2 has been calculated

--

14.4 Consolidated operating profit (loss) and extraordinary items after tax of the entity (or *group*) while controlled during the whole of the previous corresponding period

\$

14.5 Contribution to consolidated operating profit (loss) and extraordinary items from sale of interest leading to loss of control

\$

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: Financial Reporting by Segments. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 1005 and indicates which amount should agree with items included elsewhere in this statement.

Segments

Operating Revenue

Sales to customers outside the economic entity

Inter-segment sales

Unallocated revenue

Total revenue (consolidated total equal to item 1.3)

Segment result (including abnormal items where relevant)

Unallocated expenses

Consolidated operating profit after tax (before equity accounting) (equal to item 1.8)

Segment assets)

Unallocated assets)

Comparative data for segment assets should be as at the end of the previous corresponding period

Total assets (equal to item 4.15))

The Entity operates in Australia in the petroleum exploration industry
--

Dividends

15.1 Date the dividend is payable

15.2 Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)

15.3 Amount per security

		Franking rate applicable	39%	36%	33%
	(Preliminary final statement only)				
15.4	Final dividend: Current year	¢	N/A	N/A	N/A
15.5	Previous year	¢	N/A	N/A	N/A
	(Half yearly and preliminary final statements)				
15.6	Interim dividend: Current year	¢	N/A	N/A	N/A
15.7	Previous year	¢	N/A	N/A	N/A

Total annual dividend (distribution) per security

(Preliminary final statement only)

15.8 Ordinary securities

15.9 Preference securities

Current year	Previous year
¢	¢
¢	¢

Total dividend (distribution)

15.10 Ordinary securities

15.11 Preference securities

15.12 **Total**

Current period \$A'000	Previous corresponding period - \$A'000
\$ -	\$ -
\$ -	\$ -
\$ -	\$ -

The *dividend or distribution plans* shown below are in operation.

The last date(s) for receipt of election notices to the *dividend or distribution plans*

Any other disclosures in relation to dividends (distributions)

Equity accounted associated entities and other material interests

Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate notice. See AASB 1016: Disclosure of Information about Investments in Associated Companies.

Investments in associated entities		Current period A\$'000	Previous corresponding period A\$'000
16.1	Statutory carrying value of investments in associated entities (SCV)		
16.2	Share of associated entities' retained profits and reserves not included in SCV:		
	Retained profits		
	Reserves		
16.3	Equity carrying value of investments		

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

		Percentage of ownership interest (ordinary securities, units etc) held at end of period		Contributing to operating profits (loss) and extraordinary items after tax	
17.1	Equity accounted associated entities	Current period	Previous corresponding period	Current period	Previous corresponding period
				Equity accounted	
17.2	Other material interests			Not equity accounted (ie part of item 1.14)	
	Methanol Australia Ltd	2.90%	3.00%	-	-
	Cue Energy Resources Ltd	6.96%	10.90%	-	-

Issued and listed securities

Description includes rate of interest and any redemption or conversion rights together with prices and rates.

Category of securities		Number issued	Number listed	Par value (cents)	Paid-up value (cents)
18.1	Preference securities (description)				
18.2	Issued during current period				
18.3	Ordinary securities	49,653,967	49,653,967		
18.4	Issued during current period	-	-		
18.5	Convertible debt securities (description and conversion factor)				
18.6	issued during current period				
18.7	Options (description and conversion factor)			Exercise price	Expiry date
		30,244,296	30,244,296	25 Cents	30/06/2008
18.8	Issued during current period				
18.9	Exercised during current period	-	-		
18.10	Expired during current period	-	-		
18.11	Debentures (totals only)				
18.12	Unsecured Notes (totals only)				

Comments by directors

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Law) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Half-Year Accounts and Consolidated Accounts. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. [Delete if in applicable.]

Material factors affecting the revenues and expenses of the issuer for the current period

Investments in listed companies are carried as non-current and at market value, decrease in market value during the year was \$5,672,560

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

During the half year, the Company and its joint venturers (Strata Resources N.L. and Rocky Mountain Minerals, Inc.), entered into an agreement with BHP Billiton Petroleum Pty Ltd ("BHP Billiton") and Apache Energy Limited ("Apache") relating to WA-329-P, a petroleum exploration permit in the offshore Exmouth Sub-basin of Australia.

The terms of the agreement provided for a full 100% working interest in the Permit WA-329-P to be assigned to BHP Billiton and Apache.

The consideration for the transfer was a cash reimbursement to the vendors, a deferred contingent cash payment, and the grant of an overriding royalty interest with respect to any future production from WA-329-P.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Changes in accounting policies since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph 15(c) of AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final statement in accordance with AASB 101: Accounting Policies-Disclosure.)

Annual meeting*(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the annual report will be available

Compliance :

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act 2001* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

--

2. This statement, and the financial statements under the *Corporations Act 2001* (if separate), use the same accounting policies.
3. This statement gives a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:

The financial statements have been audited.



The financial statements have been subject to review by a registered auditor (or overseas equivalent).

The financial statements are in the process of being audited or subject to review.

The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of qualifications (if any) will follow immediately they are available*
6. The *issuer* has a formally constituted audit committee.



Sign here:

Date: 16 March 2006

(Director)

Print name: E G Albers

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down.
2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.

3. **Consolidated profit and loss account**

Item 1.1 The definition of “operating revenue” and an explanation of “sales revenue” (or its equivalent) and “other revenue” are set out in *AASB 118: Revenue*.

Item 1.2 “other revenue” includes abnormal items, but excludes extraordinary revenue items.

Item 1.4 “operating profit (loss) before abnormal items and tax” is calculated before dealing with outside equity interests and extraordinary items, but after deducting interest on borrowings, depreciation and amortisation.

Item 1.7 This item refers to the total tax attributable to the amount shown in item 1.6. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as operating expenses (eg. fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.

5. **Consolidated balance sheet**

Format The format of the consolidated balance sheet should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 101*.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 116 and AASB 139*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of *AASB 1029* and paragraph 11 of *AASB 1030*.

6. **Statement of cash flows** For definitions of “cash” and other terms used in this statement see *AASB 107: Cash Flow Statements*. *Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 107*.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security*.

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer's* consolidated operating profit (loss) and extraordinary items after tax by more than 5% compared to the previous corresponding period.

9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.

10. **Rounding of figures** This statement anticipates that the information required is given to the nearest \$1,000. However, an *issuer* may report exact figures, if the \$A'000 headings are amended. If an *issuer* qualifies under an AS/C Class Order dated 17 August 1994, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A'000 headings are amended.

11. **Comparative figures** Comparative figures are normally the unadjusted figures from the previous corresponding period. However, if the previously reported figures are adjusted to achieve greater comparability, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.
12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the list rules for an *issuer* to complete this statement does not prevent the *issuer* issuing reports more frequently. Additional material lodged with the ASIC under the *Corporations Law* must also be given to the Exchange. For example, a *directors'* report and statement, if lodged with the ASIC, must be given to the Exchange.
13. **Accounting Standards** the Exchange will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one) must be complied with.
14. **Borrowing corporations** As at 1/7/96, this statement may be able to be used by an *issuer* required to comply with the *Corporations Law* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards. However, borrowing corporations must comply with Schedule 5 of the Corporations Regulations. See regulation 3.6.02(4).