

OCTANEX N.L.

ABN 61 005 632 315

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

DIRECTORY**BOARD OF DIRECTORS**

E.G. Albers (Chairman)
P.J. Albers
G.A. Menzies

SECRETARY

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

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PRINCIPAL ADMINISTRATION OFFICE**

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AUDITOR

PKF
Chartered Accountants
Level 14
140 William St
Melbourne, Victoria 3000

SHARE REGISTRY

Link Market Services Limited
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333 Collins Street
Melbourne, Victoria 3000
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STOCK EXCHANGE LISTING

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

NSX Code:

OCT Ordinary Shares

OCTB Options 30 June 2008

INCORPORATED IN VICTORIA

13 March 1980

WEBSITE

www.octanex.com.au

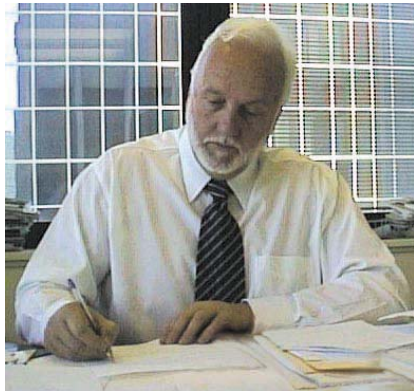
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FORWARD LOOKING STATEMENTS

This Financial Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the company or not currently considered material by the company.

CHAIRMAN'S REVIEW

Octanex N.L. has further cemented its position in the greater Carnarvon Basin of Western Australia, a desirable exploration focus evidenced by the high level of exploration and development activity being undertaken by major international oil companies. We were pleased to receive the grant of three new exploration permits (WA-384-P, WA-385-P and WA-394-P) located in the southern Exmouth Sub-basin. We plan to shoot more than 2,100 km of 2D seismic over these new permits over the next 18 months.

The ongoing transactions with BHP/Apache in WA-322-P and WA-329-P have ensured that we have participated in the exploration of these permits in a most cost-effective manner, and in a significantly more intensive program way than we might otherwise have undertaken ourselves.

In the Dampier sub-basin we hold interests in three contiguous exploration permits, WA-321-P, WA-323-P and WA-330-P which hold out potential for gas and condensate, and possibly oil. We previously undertook the Tourmaline 2D seismic survey of approximately 1,575 km. This data has now been processed and is under interpretation. We are contemplating the acquisition of two small 3D surveys over the Parker/Webley and Withnell/Cognac trends or, alternatively, an electro-magnetic survey over these trends.

In a significant move, we have recently farmed out part of our interests in two large permits, WA-362-P and WA-363-P, on the northern margin of the Exmouth Plateau, a largely unexplored deepwater frontier of the Carnarvon Basin. The farminees plan to shoot more than 2,200 km of new 2D seismic during the next two years. If wells are drilled, we will be free carried through the first two wells in each permit. We look forward to taking advantage of any first-in-the-basin opportunities that may present as the first explorers in these untested blocks.

In the offshore Otway Basin of South Australia we hold an interest in EPP34 where about 1,100 km of new 2D data is planned to be shot as part of a group shoot arrangement, expected to be undertaken in 2008.

Listed share investments increased in value during the year, with the market value of our holding in Cue Energy recovering after the disappointment with the drilling of the Jeruk feature in Indonesia. Our smaller holding in MEO Australia saw a dramatic increase in value. We have taken the opportunity to dispose of part of our MEO holding at attractive prices.

A more detailed description of our exploration activities and investments is contained in the Directors Report under the heading "Review of Operations".

The Board is considering a reorganisation of activities with our joint venture participants, Strata Resources N.L. and Gascorp Australia Limited. We are looking at various possibilities which might see an amalgamation of the exploration interests of these other two companies into our company. Any action will be the subject of shareholder approval.

The directors thank you for your support and express their confidence in the potential for our programmes to generate significant value for shareholders in the medium to long term.

E.G. Albers
Chairman
20 September 2007

DIRECTORS' REPORT

The directors present their report on the results of Octanex NL (the “company” or “Octanex”) for the year ended 30 June, 2007.

DIRECTORS

The directors in office during the entire year (except as noted) and to the date of this report are:-

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

Mr Albers is a company director with over 30 years experience as a lawyer and administrator in corporate law, petroleum exploration and resource sector investment. Mr Albers has sponsored the formation of companies that have made the original Maari (Moki) oilfield discovery in New Zealand, the Yolla Gas/Condensate discovery in Bass Strait, the Evans Shoal gasfield discovery in the Timor Sea and the SE Gobe oilfield development in Papua New Guinea.

For the past three years and to the date of this report Mr Albers has also served as a director of stock exchange listed companies MEO Australia Limited, Bass Strait Oil Company Ltd, Moby Oil & Gas Limited, and Cue Energy Resources Limited. He is a member of the Petroleum Exploration Society of Australia.

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 G Menzies (Director since 26 August 2003) Independent non-executive director

Graeme Menzies is a barrister and solicitor. He graduated from Melbourne University in 1971 and qualified for admission to the degree of Master of Laws in 1975. He was admitted to practice in 1972. Since 1987 he has carried on practice as a sole practitioner under the name of Menzies & Partners. In the course of his legal practice, Mr. Menzies has been involved in a wide range of activities, including takeovers, litigation in respect thereof, numerous capital raisings and corporate reconstructions. He has been involved in the listing or relisting of a large number of public companies ranging from junior exploration to substantial mining companies. Over recent years, his activities have focused primarily on corporate reconstructions and capital raisings.

Mr Menzies has been a director of a number of stock exchange listed public companies. During the past three years he has served as a director of Moby Oil & Gas Ltd, Papyrus Australia Ltd, Oil Basins Limited and China Cattle Limited.

Mr AP Armitage (Director 15/1/1997 to 30/07/07) 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 Armitage resigned his directorship during the year.

Mr CR Hart (Director 25/11/1991 to 21/08/06) Independent non-executive director

Mr Hart has wide corporate and commercial experience in the oil and gas industry with a primary focus towards gas marketing and utilization. Mr Hart resigned his directorship during the year.

COMPANY SECRETARY

Mr DB Hill

Mr Hill was appointed as Company Secretary on 17 September 1997. David Hill began his professional career with an international accounting firm and since 1980 has held office in a number of listed exploration companies active in the mining and oil and gas sectors in Australia and New Zealand, concentrating on fiscal aspects of project modelling and procurement of capital.

DIRECTORS' REPORT (CONTINUED)**BOARD MEETINGS**

The table below sets out the number of meetings of the board of directors held during the year and the number of meetings attended during each director's period of office.

	Meetings Held	Meetings Attended
EG Albers	4	4
PJ Albers	4	2
AP Armitage	4	4
CR Hart	-	-
GA Menzies	4	2

Following reduction of the number of directors to three, audit committee were activities suspended, with the board undertaking all committee functions.

DIRECTORS' INTERESTS

At the date of this report the relevant interests of each of the directors in the company's securities were:

	Ordinary Shares	30/6/2008 Options
EG Albers	29,644,865	20,527,490
PJ Albers	23,310,426	18,850,970
GA Menzies	-	50,000

The above interests of EG Albers and PJ Albers include 22,797,926 shares in which each director is deemed to hold a relevant interest.

PRINCIPAL ACTIVITIES

The principal activities of the company during the year were petroleum exploration and investment in that sector.

OPERATING RESULT FOR THE YEAR

The economic entity, being the company and its controlled entity recorded a profit for the year after income tax of \$685,268 (2006: \$2,746).

CHANGE IN STATE OF AFFAIRS

During the financial year, there was no significant change in the state of affairs of the company, other than as referred to in this report, the financial statements and the notes thereto.

DIVIDENDS

No dividend was proposed, recommended or paid during the year and to the date of this report.

REVIEW OF OPERATIONS

Over the past year, Octanex has held royalty interests in two petroleum exploration permits and has had interests in four joint ventures with petroleum exploration activities located in the offshore waters of Australia.

DIRECTORS' REPORT (CONTINUED)

ROYALTY INTERESTS

WA-322-P (EXMOUTH SUB-BASIN)

In early 2004 the Company, together with its joint venturers, entered into an agreement with BHP Billiton Petroleum Pty Ltd ("BHP") for the sale and subsequent assignment of a 100% working interest in WA-322-P, a petroleum exploration permit in the offshore Exmouth Sub-basin of Australia.

In return, BHP agreed to the acquisition and processing of 3D seismic in the joint venture's adjacent exploration permit, WA-329-P, as well as an initial cash payment, a deferred cash payment contingent upon entering the 5th permit year or the earlier drilling a well in WA-322-P and the granting of an overriding royalty interest with respect to revenue from any future production from WA-322-P, less applicable petroleum resource rent tax. In addition, BHP are required to offer to reconvey the Permit to the joint venturers should they decide not to proceed further with exploration or to relinquish the Permit before its full-term expiry.

The Exmouth Joint Venturers were informed by BHP in October 2005 that BHP had completed the acquisition of 635 km² of 3D seismic in Exploration Permit WA-322-P.

WA-329-P (EXMOUTH SUB-BASIN)

In July 2005, the company and its joint venturers entered into an agreement with BHP Billiton Petroleum Pty Ltd ("BHP") and Apache Energy Limited ("Apache") for the sale and subsequent assignment of a 100% working interest in WA-329-P, a petroleum exploration permit in the offshore Exmouth Sub-basin of Australia.

BHP and Apache became responsible for the terms and conditions of the Permit, made a cash payment to us, with a deferred cash payment contingent upon entry into the 5th permit year or the earlier the drilling of a well in WA-329-P. In addition, they granted an overriding royalty interest from any future production, less applicable petroleum resource rent tax.

The Exmouth Joint Venture has been informed that BHP had completed the acquisition of 107 square kilometres of 3D seismic in Exploration Permit WA-329-P in October 2005 and carried out 3D seismic reprocessing.

PETROLEUM EXPLORATION INTERESTS

DAMPIER JOINT VENTURE WA-321-P, WA-323-P & WA-330-P

Octanex holds a 50% interest in the Dampier Project in which the three underlying contiguous tenements WA-321-P, WA-323-P and WA-330-P comprise a discrete project area of 1,200 kms². They are being explored in joint venture with Strata Resources N.L. (50%). During the previous year the joint venture completed the shooting of the Tourmaline Survey of 1,578 line km of new 2D seismic over the Permits. This has since been processed and interpreted.

The Dampier project area covers parts of the Rankin Trend, Kendrew Trough, Parker Terrace (Kendrew Terrace), Madeleine Trend and part of Lewis Trough. All are proven locations for the formation and location of oil and gas. Major commercial hydrocarbon discoveries in close proximity include the giant gasfields of the North West Shelf; these being the Goodwyn, North Rankin and Perseus Gasfields, while the significant oil fields in Lambert, Wanaea and Cossack are in the same region. The undeveloped Dixon and Wilcox gas and condensate discoveries are immediately adjacent acreage. Recently, important new gas discoveries have been made at Pluto and Wheatsone, to the west.

A potential drape trap over the North Webley horst structure similar to, and on trend with, the adjacent Dixon Field has been identified. This is currently the main area of focus. There is potential for a Triassic or Early Jurassic structural traps within both the North Webley and Webley horst structures.

The joint venture is presently focussing on the Parker/Webley Horst to demonstrate, as best we can, that there is a structure with Triassic Mungaroo reservoir and with the potential for liquid rich gas that is worth drilling. There are two well and five penetrations (Parker-1 + ST1 (1979/80) and Webley-1 + ST1 & 1A 1998/9) into the

DIRECTORS' REPORT (CONTINUED)

Webley horst. None of the Webley-1 well penetrations were deeper than the upper part of the Early Cretaceous regional seal.

The Parker-1 well drilled what was thought to be a broad horst, but turned out to be a narrower horst with a terrace fault block on the east side. The well penetrated Middle Jurassic shales on the terrace which were logged before TD, in stacked sands and shales. The Parker-1 well was side tracked, but again the sands were not logged due to rig (anchor chain broke) and subsequent drilling problems. The sands in both the Parker-1 well and Parker-1 Side Track contained gas shows, but were not logged due to drilling problems. The cuttings contained coal, which are known to occur in the Triassic Mungaroo in nearby wells. While the sands were not dated, none of the nearby wells contain similar stacked sands, except in the Triassic Mungaroo. We are therefore confident that the penetration was of Mungaroo sands.

From our interpretation, it would appear that the Parker well either crossed a fault from Middle Jurassic into Late Triassic sands or penetrated the Triassic sands on the hangingwall block close to a fault. Either way, if the gas shows represent a live gas column there is potential for a gas accumulation that extends updip into the horst to the west and possibly within the terrace block as well, in which event the trap would be much larger.

We are working towards demonstrating a closure in the Webley horst, with the added possibility that stratigraphic trapping may also work in our favour, as a fall-back.

The joint venture considers that the critical elements of reservoir, hydrocarbons, structure, seal and trap are proven in the Parker/Webley horst, but the quality of the seismic (vintage 2D & 3D) and even the new Tourmaline 2D, make definition of trap size, closure/spill point problematic. This is not just a matter of seismic quality. The existence of several important unconformities (near base Cretaceous, Tithonian, Oxfordian, Callovian and Near top Triassic) make mapping difficult, even with good seismic.

We are investigating whether a 3D seismic survey in this geology or electro-magnetic imaging would enable us to visualise the structure and stratigraphy better or, in the case of electro-magnetic imaging, the presence of hydrocarbons.

Geologic and seismic interpretation of the Late Jurassic, Angle Formation submarine fan play also continues. A sand pinchout trend has been postulated along the west flank of the Hartog anticlinal trend.

Further potential is also seen in the vicinity of the Withnell well which had good hydrocarbon shows and beneath the Cognac well.

The proximity of existing infrastructure and the likely future extensions, as well as new infrastructure bodes well for any discovery, whether oil or gas, in this project area. Significant future demand for gas to supply the proposed Pluto LNG development is anticipated, so that any gas discovery in our permits would be valuable and capable of monetisation.

NORTHERN DEEPS JOINT VENTURE – WA-362-P & WA-363-P

After the close of the year, Octanex disposed of 21% of its 35% interest in the two Outer Exmouth Plateau exploration blocks known as WA-362-P and WA-363-P by entering into a joint venture with OMV Australia Limited (“OMV”) and ENI Australia Limited (“ENI”). The permits, which cover an area of approximately 21,765 kms², are on the northern margin of the Exmouth Plateau, 300-400 kms north west of the Western Australian coastline. The Exmouth Plateau is the largely unexplored deepwater frontier of the Carnarvon Basin, Australia’s largest petroleum basin which includes the giant gas resources of the North West Shelf (Rankin Trend), the Greater Gorgon region and Io/Janz. A map (below) shows the location of the two permits.

As part of the arrangements establishing the new joint venture, Octanex has agreed to assign a 21% interest in each permit for a monetary amount, retaining a 14% equity interest in each permit. OMV and ENI have in turn agreed to acquire and process at least 1100 kms of 2D seismic data in each permit. This will meet all the current and future seismic work obligations for each permit. OMV and ENI also have the right under the farm-in agreement to earn a further 7% interest from Octanex in each permit (leaving Octanex with a then retained 7% interest in each permit) by meeting all the costs of Octanex for the first two wells that the farminees may elect to drill in each permit.

DIRECTORS' REPORT (CONTINUED)

Octanex is delighted to have concluded this arrangement with two world class operators, each of which have a significant presence in Australia already and in circumstances where both OMV and ENI have made plain their intention to comprehensively explore the two permits.

WESTERN OTWAY JOINT VENTURE – EPP 34

EPP 34, in which Octanex has an indirect 15% interest through its 50% interest in the joint venture company, United Oil & Gas Pty Ltd, is located in the Otway Basin, offshore from South Australia, and covers an area of 76 graticular blocks or approximately 4,850 sq km in water depths ranging from 75 metres in the north to over 2,000 metres in the southwest. The main potential identified in EPP 34 lies in prospects and leads within the Late Cretaceous Sherbrook Group plays, to the north and south of the inverted Morum High, which bisects EPP 34 centrally. Hydrocarbon source may be derived from Late Jurassic to Late Cretaceous petroleum systems, which are considered to be mature for hydrocarbon generation in the Morum Sub-basin. An 1,100 line km 2D seismic survey is planned for 2007.

SOUTHERN EXMOUTH JOINT VENTURE – WA-384-P, WA-385-P AND WA-394-P

In August 2006, new exploration permits were granted to a joint venture between Octanex NL (50%) and Strata Resources NL (50%). The two new permits, known as WA-384-P and WA-385-P, are located in the southern Exmouth Sub-basin. In late 2007 a further exploration permit, WA-394-P, adjacent to WA-384-P was also granted. A further 375 km of 2D seismic will be shot in this permit. The joint venture has committed to shoot not less than 2,175 line km of 2D seismic survey over the permits.

The three new permits are located within a poorly explored region just south of Australia's newest oil province (Enfield, Laverda, Skiddaw and Stybarrow discoveries). There is a significant amount of non-exclusive seismic available, but just one structural test well, Herdsman-1, in the far south of blocks. However, the geology of this well is not expected to be typical of the blocks where a typical North West Shelf type Mesozoic sedimentary section is inferred in the northern part of the permits, with the Jurassic section is apparently in the "oil window".

INVESTMENTS

The company's investments comprise shareholdings in each of MEO Australia Limited ("MEO") and Cue Energy Resources Ltd ("Cue").

The company holds, as at the date of this report, 2,577,945 shares in MEO, which is engaged in a two well drilling program in NT/P68, seeking gas for two down-stream projects, a methanol production facility and an LNG production facility, to be located on Tassie Shoal in the Timor Sea.

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 of the issued capital of Cue.

Cue's main activities are in Papua New Guinea, Indonesia and New Zealand. 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 others. This joint venture has made the Oyong oil and gas discovery, which is located offshore East Java, in the Madura Strait of Indonesia and is being developed for future oil and gas production. In New Zealand, Cue holds a 5% interest in PEP38413, the permit that contains the Maari oil field in the offshore Taranaki Basin and which is also under development.

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

DIRECTORS' REPORT (CONTINUED)**CORPORATE MATTERS****LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The likely developments in the company's operations in future years and the expected result from those operations are dependent on exploration success in the permit areas in which the company holds an interest and the success of our investments in MEO Australia Limited and Cue Energy Resources Limited.

REMUNERATION REPORT

This report is audited.

The board of directors is responsible for determining and reviewing compensation arrangements for the directors and the chief executive officer. The board assesses the appropriateness of the nature and amount of emoluments on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive.

Remuneration levels for directors and executives of the company are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structure takes into account:

- the capability and experience of the directors and senior executives.
- the ability of directors and senior executives to control the entity's performance.
- the requirement that directors apply a portion of their remuneration to the purchase of shares in the company at market price, so as to align the interest of directors with that of shareholders.

Total director remuneration is capped at \$60,000 per annum.

Remuneration paid to directors covers all board activities including serving on committees. The directors do not receive employee benefits including annual leave and long service leave, but remuneration may include the grant of options over shares of the company to align directors' interests with that of the shareholders.

At the date of this report no rights have been granted to directors pursuant to the Performance Plan adopted with the approval of members on 19 November 2003.

	<i>Year</i>	<i>Short Term Employment Benefits</i>			<i>Post Employment</i>		<i>Total</i>
		<i>Directors Fees</i>	<i>Other Fees</i>	<i>Salary</i>	<i>Superannuation</i>	<i>Retirement Benefit</i>	
		\$	\$	\$	\$	\$	\$
EG Albers	2007	-	-	-	21,800	-	21,800
	2006	10,000	-	-	900	-	10,900
PJ Albers	2007	-	-	-	10,900	-	10,900
	2006	5,000	-	-	450	-	5,450
AP Armitage	2007	-	12,237	-	-	-	12,237
	2006	-	12,000	-	-	-	12,000
CR Hart	2007	-	5,000	-	-	-	5,000
	2006	-	-	-	-	-	-
GA Menzies	2007	10,000	-	-	900	-	10,900
	2006	5,000	-	-	450	-	5,450
TOTAL	2007	10,000	17,237	-	33,600	-	60,837
	2006	20,000	12,000	-	1,800	-	33,800

DIRECTORS' REPORT (CONTINUED)**ENVIRONMENT, HEALTH AND SAFETY**

Octanex has adopted an environmental, health and safety policy and conducts its operations in accordance with the APPEA Code of Practice.

The company's petroleum exploration and development activities are subject to environmental conditions specified in the Petroleum (Submerged Lands) Act, associated Regulations and Directions, as well as the Environment Protection and Biodiversity Conservation Act 1999. During the year there were no known contraventions by the company or by any operator of permits in which an interest is held of any relevant environmental regulations.

The company believes all injuries are avoidable and has policies and procedures to ensure employees and contractors manage safety accordingly. We monitor and evaluate our procedures. During the year there were no reported health and safety incidents.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the year and to the date of this report, the company did not pay premiums in respect of contracts insuring directors of the company against liabilities arising from their position of directors of the company.

CORPORATE GOVERNANCE

The ASX Corporate Governance Council has issued "Corporate Governance Principles and Recommendations" (the CGC Paper) requiring ASX listed companies to report their corporate governance practices against those principles and recommendations.

The board has elected that the company adopt those principles and recommendations set out in the CGC Paper, appropriate to a company of the size and stage of development of Octanex.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 10 September 2007, US\$5,950,000 (\$7,543,103) was received from OMV Australia Limited and ENI Australia Limited ("farminees") for a 21% interest in the Northern Deeps Joint Venture reducing the consolidated entity's interest to 14%. The farminees have agreed to acquire and process at least 1,100kms of 2D seismic data in each permit which will meet all the current and future seismic acquisition obligations.

The farminees also have the right under the farmin agreement to earn a further 7% interest in permits WA-362 and WA-363P by committing to drill a well in each permit. OMV and ENI will meet all the costs of Octanex for the first two wells that they may elect to drill in each permit.

The company is negotiating a consulting agreement with Upstream Consulting Pty Ltd, including the grant of options, on terms to be agreed, but at exercise prices not less than 30cents.

AUDITOR INDEPENDENCE AND NON - AUDIT SERVICES

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached and forms part of the directors' report for the financial year ended 30 June 2007.

No fees were paid to the auditor for non audit services.

Signed in accordance with a resolution of the directors, in Melbourne, 20 September 2007.



EG Albers
Director

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 and the additional disclosures included in the Directors' Report, designated as audited, of the company and the consolidated entity are in accordance with the Corporations Act 2001 and:
 - (i) give a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2007 and performance for the year ended on that date; and
 - (ii) comply with the Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration has been made after the directors have been given the declaration by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

On behalf of the Board



EG Albers
Director

Melbourne, 20 September 2007

INCOME STATEMENT
YEAR ENDED 30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenues	2	1,199,125	190,268	1,199,125	190,268
Expenses	3	(244,187)	(189,852)	(244,187)	(189,852)
		<hr/>	<hr/>	<hr/>	<hr/>
Profit before tax		954,938	416	954,938	416
Income tax (expense) benefit	4	(269,670)	2,330	(269,670)	2,330
		<hr/>	<hr/>	<hr/>	<hr/>
Profit after tax		685,268	2,746	685,268	2,746
		<hr/>	<hr/>	<hr/>	<hr/>
Basic earnings per share (\$ per share)	20	0.01	-		
Diluted earnings per share (\$ per share)	20	0.01	-		

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

**BALANCE SHEET
AT 30 JUNE 2007**

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents		2,681,902	1,680,185	2,681,901	1,680,184
Trade and other receivables	5	46,611	279,370	46,611	279,370
TOTAL CURRENT ASSETS		2,728,513	1,959,555	2,728,512	1,959,554
NON-CURRENT ASSETS					
Other financial assets	6	9,759,189	7,509,436	8,419,973	6,002,819
Exploration costs	7	1,089,069	952,639	1,089,069	952,639
Deferred tax asset		-	174,065	-	174,065
TOTAL NON-CURRENT ASSETS		10,848,258	8,636,140	9,509,042	7,129,523
TOTAL ASSETS		13,576,771	10,595,695	12,237,554	9,089,077
CURRENT LIABILITIES					
Trade and other payables	8	138,626	174,116	138,626	174,116
Current tax liabilities	4	33,217	-	33,217	-
TOTAL CURRENT LIABILITIES		171,843	174,116	171,843	174,116
NON-CURRENT LIABILITIES					
Provisions	9	-	18,166	-	18,166
Deferred tax liabilities	11	2,694,758	1,956,213	2,292,994	1,504,227
TOTAL NON-CURRENT LIABILITIES		2,694,758	1,974,379	2,292,994	1,522,393
TOTAL LIABILITIES		2,866,601	2,148,495	2,464,837	1,696,509
NET ASSETS		10,710,170	8,447,200	9,772,717	7,392,568
EQUITY					
Contributed equity	10	3,956,700	3,956,700	3,956,700	3,956,700
Reserves		5,250,233	3,672,531	4,592,229	2,897,348
Retained earnings		1,503,237	817,969	1,223,788	538,520
TOTAL EQUITY		10,710,170	8,447,200	9,772,717	7,392,568

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

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2007

	NOTE	Issued Capital	Reserves (a)	Retained Earnings	Total Equity
		\$	\$	\$	\$
CONSOLIDATED					
At 1 July 2006		3,956,700	3,672,531	817,969	8,447,200
Profit for the period		-	-	685,268	685,268
Investments disposed – revalued amount		-	(315,627)	-	(315,627)
Gain on revaluation of financial assets at fair value		-	2,704,753	-	2,704,753
Tax on items taken directly to equity		-	(811,424)	-	(811,424)
		<u>3,956,700</u>	<u>5,250,233</u>	<u>1,503,237</u>	<u>10,710,170</u>
At 30 June 2007		<u>3,956,700</u>	<u>5,250,233</u>	<u>1,503,237</u>	<u>10,710,170</u>
At 1 July 2005		3,956,700	8,335,416	815,223	13,107,339
Profit for the period		-	-	2,746	2,746
Loss on revaluation of financial assets at fair value		-	(6,661,264)	-	(6,661,264)
Tax on items taken directly to equity		-	1,998,379	-	1,998,379
		<u>3,956,700</u>	<u>3,672,531</u>	<u>817,969</u>	<u>8,447,200</u>
At 30 June 2006		<u>3,956,700</u>	<u>3,672,531</u>	<u>817,969</u>	<u>8,447,200</u>
COMPANY					
At 1 July 2006		3,956,700	2,897,348	538,520	7,392,568
Profit for the period		-	-	685,268	685,268
Investments disposed – revalued amount		-	(315,627)	-	(315,627)
Gain on revaluation of financial assets at fair value		-	2,872,155	-	2,872,154
Tax on items taken directly to equity		-	(861,647)	-	(861,646)
		<u>3,956,700</u>	<u>4,592,229</u>	<u>1,223,788</u>	<u>9,772,717</u>
At 30 June 2007		<u>3,956,700</u>	<u>4,592,229</u>	<u>1,223,788</u>	<u>9,772,717</u>
At 1 July 2005		3,956,700	6,036,873	535,774	10,529,347
Profit for the period		-	-	2,746	2,746
Loss on revaluation of financial assets at fair value		-	(4,485,036)	-	(4,485,036)
Tax on items taken directly to equity		-	1,345,511	-	1,345,511
		<u>3,956,700</u>	<u>2,897,348</u>	<u>538,520</u>	<u>7,392,568</u>
At 30 June 2006		<u>3,956,700</u>	<u>2,897,348</u>	<u>538,520</u>	<u>7,392,568</u>

(a) Reserves

Asset Revaluation Reserve arising from the revaluation of listed shares (Note 1(h)).

The Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Proceeds from sale of tenement		-	195,186	-	195,186
Interest received		109,728	114,491	109,728	114,491
Payments to suppliers - exploration		(79,298)	(711,245)	(79,298)	(711,245)
Payments to suppliers - other		(109,742)	(271,797)	(109,742)	(271,797)
Payments of income tax		-	(21,618)	-	(21,618)
Net cash used in operating activities	(i)	(79,312)	(694,983)	(79,312)	(694,983)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of investments		1,098,501	-	1,098,501	-
Acquisition of investments		(5,000)	-	(5,000)	-
Net cash from investing activities		1,093,501	-	1,093,501	-
Net increase (decrease) in cash and cash equivalents		1,014,189	(694,983)	1,014,189	(694,983)
Exchange gains (losses)		(12,472)	8,184	(12,472)	8,184
Cash and cash equivalents at 1 July		1,680,185	2,366,984	1,680,184	2,366,984
CASH AND CASH EQUIVALENTS					
AT 30 JUNE		2,681,902	1,680,185	2,681,901	1,680,184

(i) RECONCILIATION OF NET CASH WITH PROFIT AFTER INCOME TAX

Profit after income tax	685,268	2,746	685,268	2,746
<i>Non cash items:</i>				
Gain on sale of investments	(1,089,397)	-	(1,089,397)	-
Effect of exchange rate changes on the balances held in foreign currency	12,472	(8,184)	12,474	(8,184)
Write-back of provision for retirement benefit	(18,166)	-	(18,166)	-
<i>Changes in assets and liabilities:</i>				
Decrease (increase) in receivables	246,416	(94,085)	246,416	(94,085)
Increase (decrease) in payables	(49,146)	12,656	(49,146)	12,656
Increase (decrease) in tax liabilities	269,670	(23,950)	269,670	(23,950)
Increase in exploration expenditure	(136,429)	(584,166)	(136,429)	(584,166)
Net Cash Used In Operating Activities	(79,312)	(694,983)	(79,312)	(694,983)

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

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Octanex NL is a company incorporated and domiciled in Australia with its registered office and principal place of business located at level 25, 500 Collins Street, Melbourne, Victoria 3000. The consolidated financial report of the company for the financial year ended 30 June 2007 comprise the company and its subsidiary (together referred to as the 'consolidated entity') and the consolidated entity's interest in associates and jointly controlled ventures.

The financial report was authorised by the directors for issue on 20 September, 2007.

(a) Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements and notes comply with IFRS and interpretations adopted by the International Accounting Standards Board. The parent entity financial statement and notes also comply with IFRS except that it has elected to apply relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132, Financial Instruments : Presentation and Disclosure.

(b) Basis of preparation

The financial report is presented in Australian dollars, rounded to the nearest dollar.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in note 1(m).

The accounting policies set out below have been applied consistently to all periods presented in the financial report.

(c) Principles of consolidation

The consolidated financial statements have been prepared in accordance with AASB 127, Consolidated and Separate Financial Statements.

(i) Subsidiaries

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in subsidiaries are carried at their cost of acquisition in the company's financial statements.

(ii) Associates

Associates are those entities in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the consolidated entity's share of the total recognised gains and losses of associates on an equity accounted basis, when material, from the date that significant influence commences until the date that significant influence ceases.

When the consolidated entity's share of losses exceeds its interest in an associate, the consolidated entity's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the consolidated entity has incurred legal or constructive obligations or made payments on behalf of an associate. In the company's financial statements, investments in associates are carried at fair value, with resulting revaluation gains and losses recognised in equity.

NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(c) Principles of consolidation (continued)****(iii) Joint ventures***Jointly controlled operations and assets*

The interest of the company and of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(iv) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the consolidated entity's interest in the entity with adjustments made to the 'Investment in associates' and 'Share of associates' net profit accounts.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Gains and losses are recognised as the contributed assets are consumed or sold by the associates and jointly controlled entities or, if not consumed or sold by the associate or jointly controlled entity, when the consolidated entity's interest in such entities is disposed of.

(d) Taxes*Income Tax*

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expense except to the extent that the tax related to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period where the asset is realised or the liability settled.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

**NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2007****NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Payables**

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60-day terms.

(h) Investments

Financial instruments not held for trading are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity, except for impairment losses.

The fair value of financial instruments classified as being available-for-sale is their quoted bid price at the balance sheet date.

Available-for-sale investments are recognised by the consolidated entity on the date it commits to purchase and derecognised on the date it commits to sell the investment.

Long term non interest bearing receivables to controlled entities and associates for unspecified periods are classified as investments and valued at cost.

(i) Share Capital

Ordinary share capital is recognised at the fair value of the consideration received by the company. Transactions costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the consideration received.

(j) Impairment

The carrying amounts of the consolidated entity's assets, other than deferred tax are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit and loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss.

(i) Calculation of 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 groups or assets, in which case, the recoverable amount is determined for the class of assets to which the asset belongs.

(ii) Reversals of impairment

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Restoration, Rehabilitation and Environment Expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are provided for as part of the cost of those activities. Costs are estimated on the basis of current legal requirements, anticipated technology and future costs that have been discounted to their present value. Estimates of future costs are reassessed at each reporting date.

(l) Exploration costs

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Exploration costs (continued)

Exploration and evaluation costs are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation costs are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

(m) Accounting estimates and judgements

Management determine the development, selection and disclosure of the company's critical accounting policies and estimates and the application of these policies and estimates. There are no estimates and judgements that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

There is, however, a risk that actual expenditure to achieve minimum work obligations could differ from estimates disclosed in the notes to the financial statements (see Note 12). The estimated amounts represent the higher end of possible future expenditure. Work requirements achieved by farm-ins materially reduce the level of expenditure incurred by the company to comply with work program commitments.

(n) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. Interest income is recognised when control of the right to receive the interest payment is attained.

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 2 REVENUE				
Interest income	109,728	108,413	109,728	108,413
Profit on sale of investments	1,089,397	5,564	1,089,397	5,564
Profit from sale of exploration tenement	-	68,107	-	68,107
Foreign exchange gains	-	8,184	-	8,184
Total revenue	<u>1,199,125</u>	<u>190,268</u>	<u>1,199,125</u>	<u>190,268</u>

NOTE 3 EXPENSES

Administration	38,275	81,000	38,275	81,000
Audit fees	32,750	21,500	32,750	21,500
Directors' remuneration	27,237	32,000	27,237	32,000
Directors' superannuation	33,600	1,800	33,600	1,800
Exploration	19,895	10,919	19,895	10,919
Interest	-	21	-	21
Reporting, registry and stock exchange	30,114	28,534	30,114	28,534
Office expenses	53,642	-	53,642	-
Other expenses	14,368	14,078	14,368	14,078
Foreign exchange losses	12,472	-	12,472	-
Write-back of provision for retirement benefit	(18,166)	-	(18,166)	-
Total expenses	<u>244,187</u>	<u>189,852</u>	<u>244,187</u>	<u>189,852</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 4 INCOME TAX					
Components of income tax expense					
<i>Current tax expense</i>					
Current period		(33,217)	174,063	(33,217)	174,063
Adjustment for prior period		-	(14,758)	-	(14,758)
<i>Deferred tax expense</i>					
Origination and reversal of temporary differences		(236,453)	(156,975)	(236,453)	(156,975)
Total income tax (expense) benefit		<u>(269,670)</u>	<u>2,330</u>	<u>(269,670)</u>	<u>2,330</u>

Reconciliation between tax expense and pre-tax profit

Profit before tax		<u>954,938</u>	<u>416</u>	<u>954,938</u>	<u>416</u>
Income tax using statutory income tax rate of 30% (2006: 30%)		(286,481)	(125)	(286,481)	(125)

Tax effect of adjustment recognised in the period for:

Prospectus costs		14,758	14,758	14,758	14,758
Current tax of prior periods		2,053	(14,758)	2,053	(14,758)
Non assessable foreign exchange gain		-	2,455	-	2,455
Income tax (expense) benefit		<u>(269,670)</u>	<u>2,330</u>	<u>(269,670)</u>	<u>2,330</u>

NOTE 5 TRADE AND OTHER RECEIVABLES

Director-related entities	15	23,930	189,601	23,930	189,601
Other		22,681	89,769	22,681	89,769
		<u>46,611</u>	<u>279,370</u>	<u>46,611</u>	<u>279,370</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 6 OTHER FINANCIAL ASSETS					
Listed shares:					
Director-related entities at market value	6(a)	9,747,188	7,505,135	7,849,964	5,440,510
Other companies at market value		12,000	4,300	12,000	4,300
	6(b)	9,759,188	7,509,435	7,861,964	5,444,810
Investment in controlled entity at cost	6(c)	-	-	558,007	558,007
Shares in controlled entity at cost	6(d)	-	-	1	1
Shares in associate	6(e)	1	1	1	1
		<u>9,759,189</u>	<u>7,509,436</u>	<u>8,419,973</u>	<u>6,002,819</u>
(a) Director-related Entities:					
<i>Cue Energy Resources Ltd</i>					
Principal activity is oil and gas exploration and production.		6,184,624	6,730,325	4,287,400	4,665,700
<i>MEO Australia Limited</i>					
Principal activity is development of the Tassie Shoal Methanol Project		3,562,564	774,810	3,562,564	774,810
		<u>9,747,188</u>	<u>7,505,135</u>	<u>7,849,964</u>	<u>5,440,510</u>
(b) Reconciliation of the carrying amount of Listed Shares					
Balance at beginning of year		7,509,435	14,170,700	5,444,810	9,929,847
Net revaluation increment (decrement)		2,704,753	(6,661,265)	2,872,154	(4,485,037)
Disposal of listed shares during the year		(460,000)	-	(460,000)	-
Investment in listed shares during the year		5,000	-	5,000	-
		<u>9,759,188</u>	<u>7,509,435</u>	<u>7,861,964</u>	<u>5,444,810</u>
(c) Investment in Controlled Entity					
Octanex NL loaned an amount of \$558,007 in 2001 to its wholly owned subsidiary, Octanex Operations Pty Ltd, to purchase shares in Cue Energy Resources Ltd (Cue). This loan was not made for a predetermined period. While management's intention is that Octanex Operations will settle its debt to Octanex NL as and when its shares in Cue are sold, there exists no set date as to when this transaction will occur. The investment is valued at original cost. The market value of the Cue shares held by Octanex Operations Pty Ltd at balance date was \$1,897,224 (2006: \$2,064,625).					
(d) Shares in Controlled Entity					
Octanex Operations Pty Ltd, 100% owned, incorporated in Australia and balancing at 30 June, invests in the petroleum exploration sector. The controlled entity did not contribute to the consolidated net profit for the year.					
(e) Shares in associate					
United Oil & Gas Pty Ltd, 50% owned with Strata Resources NL, has a thirty percent interest in the Western Otway Joint Venture (Note 13) and did not contribute to the consolidated net profit for the year.					

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

	NOTE	Consolidated		The Company	
		2007	2006	2007	2006
		\$	\$	\$	\$
NOTE 7 EXPLORATION COSTS					
Cost at beginning of year		952,639	368,473	952,639	368,473
Cost attributable to interest sold		-	(127,079)	-	(127,079)
Cost for the year		136,430	711,245	136,430	711,245
Cost at end of year		<u>1,089,069</u>	<u>952,639</u>	<u>1,089,069</u>	<u>952,639</u>

Ultimate recovery of deferred exploration costs carried forward is dependent upon exploration success and/or the company maintaining appropriate funding to support continued exploration activities.

NOTE 8 TRADE AND OTHER PAYABLES

Trade creditors and accruals		64,302	74,176	64,302	74,176
Director-related entity other payables	15	74,324	99,940	74,324	99,940
		<u>138,626</u>	<u>174,116</u>	<u>138,626</u>	<u>174,116</u>

NOTE 9 PROVISIONS

Provision for retirement benefit of director		-	18,166	-	18,166
		<u>-</u>	<u>18,166</u>	<u>-</u>	<u>18,166</u>

NOTE 10 CONTRIBUTED EQUITY

	2007	2006	Consolidated		The Company	
	Shares	Shares	2007	2006	2007	2006
			\$	\$	\$	\$
Issued Capital						
Ordinary shares fully paid	49,653,967	49,653,967	3,956,700	3,956,700	3,956,700	3,956,700
	<u>49,653,967</u>	<u>49,653,967</u>	<u>3,956,700</u>	<u>3,956,700</u>	<u>3,956,700</u>	<u>3,956,700</u>

The company has unlimited authorised capital with no par value.

(i) Terms and Conditions of Contributed Equity

Ordinary shares confer on the holder the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of (irrespective of the amounts paid up on) shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(ii) Options over Unissued Shares

The company has granted options over unissued shares in the company, exercisable at 25 cents on or before 30 June 2008, each option conferring the right to subscribe for one fully paid ordinary share. The options do not confer the right to dividends or to vote at meetings of members. Shares allotted on exercise of the options will rank pari passu in all respects with other fully paid ordinary shares. Each option will entitle the holder to participate in new issues in which shares or other securities are offered to members on the prior exercise of the option.

No 30 June 2008 options were exercised during the year. At balance date there were 30,244,296 options over unissued shares outstanding.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

NOTE 11 DEFERRED TAX LIABILITIES

	Assets		Liabilities		Net	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Consolidated						
Investment revaluations	-	-	2,369,863	1,693,705	2,369,863	1,693,705
Exploration costs	-	-	326,721	287,199	326,721	287,199
Interest receivable	-	-	3,274	3,388	3,274	3,388
Accrued expenses	(5,100)	(22,629)	-	-	(5,100)	(22,629)
Provisions	-	(5,450)	-	-	-	(5,450)
	<u>(5,100)</u>	<u>(28,079)</u>	<u>2,699,858</u>	<u>1,984,292</u>	<u>2,694,758</u>	<u>1,956,213</u>
Recognised in retained earnings	(5,100)	(28,079)	329,995	290,587	324,895	262,508
Recognised directly in equity	-	-	2,369,863	1,693,705	2,369,863	1,693,705
	<u>(5,100)</u>	<u>(28,079)</u>	<u>2,699,858</u>	<u>1,984,292</u>	<u>2,694,758</u>	<u>1,956,213</u>
Company						
Investment revaluations	-	-	1,968,099	1,241,719	1,968,099	1,241,719
Exploration costs	-	-	326,721	287,199	326,721	287,199
Interest receivable	-	-	3,274	3,388	3,274	3,388
Accrued expenses	(5,100)	(22,629)	-	-	(5,100)	(22,629)
Provisions	-	(5,450)	-	-	-	(5,450)
	<u>(5,100)</u>	<u>(28,079)</u>	<u>2,298,094</u>	<u>1,532,306</u>	<u>2,292,994</u>	<u>1,504,227</u>
Recognised in retained earnings	(5,100)	(28,079)	329,995	290,587	324,895	262,508
Recognised directly in equity	-	-	1,968,099	1,241,719	1,968,099	1,241,719
	<u>(5,100)</u>	<u>(28,079)</u>	<u>2,298,094</u>	<u>1,532,306</u>	<u>2,292,994</u>	<u>1,504,227</u>
			Consolidated	The Company		
			2007	2006	2007	2006
			\$	\$	\$	\$

NOTE 12 EXPLORATION EXPENDITURE COMMITMENTS

The company's share of minimum work requirements contracted for under exploration permit interests held in joint venture is estimated at balance date:

Payable not later than one year	2,122,500	852,048	2,122,500	852,048
Payable later than one year but not later than three years	1,925,000	1,232,383	1,925,000	1,232,383
	<u>4,047,500</u>	<u>2,084,431</u>	<u>4,047,500</u>	<u>2,084,431</u>

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

NOTE 13 INTEREST IN JOINT VENTURES

The company has an interest in the assets, liabilities and output of joint venture operations for the exploration and development of petroleum in Australia. The company has taken up its share of joint venture transactions based on the company's contributions to the joint ventures. Expenditure commitments in respect of the joint ventures are disclosed in Note 12. The company's interests in the joint ventures, unchanged from the prior year:

Joint Venture	Interest	Permits Held
Dampier Project	50%	WA-321-P, WA-323-P & WA-330-P
Northern Deeps Joint Venture (Note 19)	35% reducing to 14%	WA-362-P & WA-363-P
Southern Exmouth Joint Venture	50%	WA-384-P, WA-385-P & WA-394-P
Western Otway Joint Venture	15%	EPP34

Assets and liabilities of the joint venture operations are included in the financial statements as follows:

		Consolidated		The Company	
	NOTE	2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents		23,611	15,456	23,611	15,456
Receivables	5	3,657	64,096	3,657	64,096
Receivable – director-related entity	5, 15	-	179,328	-	179,328
NON-CURRENT ASSETS					
Exploration costs	7	1,089,069	952,639	1,089,069	952,639
CURRENT LIABILITIES					
Payables	8	17,415	-	17,415	-
Payables – director-related entity	8, 15	42,484	27,894	42,484	27,894

NOTE 14 DIRECTOR AND EXECUTIVE DISCLOSURES

Non-executive Directors

PJ Albers
GA Menzies
AP Armitage (resigned 30 July 2007)
CR Hart (resigned 21 August 2006)

Executive Directors

EG Albers

Individual compensation disclosures

Information regarding individual directors compensation is provided in the remuneration report section of the directors' report. There are no employees that meet the definition of key management personnel other than the executive director of the company.

Interests in Equity Instruments of Octanex N.L.

The disclosures relating to equity instruments of directors includes equity instruments of personally related entities, being relatives and the spouses of relatives of the director and any entity under the joint or several control or significant influence of the director.

All equity transactions with directors, other than options granted as remuneration, have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

NOTE 14 DIRECTOR AND EXECUTIVE DISCLOSURES (CONTINUED)

Interests in shares

	Balance	Received as Remuneration	Options Exercised	Net Change Other	Balance
	1/7/2006				30/6/2007
EG Albers **	28,052,905	-	-	1,591,960	29,644,865
PJ Albers**	23,310,426	-	-	-	23,310,426
AP Armitage	50,000	-	-	-	50,000
CR Hart	1,730,235	-	-	(1,474,995)	255,240
GA Menzies	-	-	-	-	-
	1/7/2005				30/6/2006
EG Albers **	28,052,905	-	-	-	28,052,905
PJ Albers**	23,310,426	-	-	-	23,310,426
AP Armitage	50,000	-	-	-	50,000
CR Hart	1,730,235	-	-	-	1,730,235
GA Menzies	50,000	-	-	(50,000)	-

** Ordinary shares in which each director holds an interest:

For the year ended 30 June 2007	22,797,926	-	-	-	22,797,926
For the year ended 30 June 2006	22,797,926	-	-	-	22,797,926

Interests in options (exercisable by 30 June 2008 at 25 cents per share)

	Balance	Received as Remuneration	Options Exercised	Net Change Other	Balance
	1/7/2006				30/6/2007
EG Albers*	20,527,490	-	-	-	20,527,490
PJ Albers*	18,850,970	-	-	-	18,850,970
CR Hart	150,000	-	-	-	150,000
GA Menzies	50,000	-	-	-	50,000
	1/7/2005				30/6/2006
EG Albers*	20,527,490	-	-	-	20,527,490
PJ Albers*	18,850,970	-	-	-	18,850,970
CR Hart	150,000	-	-	-	150,000
GA Menzies	50,000	-	-	-	50,000

*Options in which each director holds an interest:

For the year ended 30 June 2007	18,850,970	-	-	-	18,850,970
For the year ended 30 June 2006	16,650,970	-	-	2,200,000	18,850,970

NOTE 15 RELATED PARTY DISCLOSURES

Controlled Entity

The wholly owned subsidiary, Octanex Operations Pty Ltd, is provided with management and administration services and an interest free loan to fund its investment activities (Note 6).

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

NOTE 15 RELATED PARTY DISCLOSURES (CONTINUED)

Associated Entity

United Oil & Gas Pty Ltd, of which EG Albers is a director, is owned 50% (2006: 50%) by the company and 50% by Strata Resources NL and is a participant in the Western Otway Joint Venture (30%).

The consolidated entity did not equity account this investee on the grounds that balances were not considered material. Summary financial information is listed below:

	Current assets \$	Non- Current assets \$	Total assets \$	Current Liabilities \$	Non- Current Liabilities \$	Total Liabilities \$	Revenue \$	Expenses \$	Loss \$
2007	344	37,542	37,886	360	42,632	42,992	-	2,639	2,639
2006	4,625	31,563	36,188	10,040	28,614	38,654	1,960	3,931	1,971

Director-related Entities

Companies in which an Octanex director holds office, that provide services to the company or to a joint venture in which the company has an interest, or that also hold an interest in those joint ventures or in which the company holds an investment.

(i) Providers of Services

During the year services were provided under normal commercial terms and conditions by:

Capricorn Mining Pty Ltd, (Capricorn), a director-related entity of EG Albers
 Exoil Limited, (Exoil), a director-related entity of EG Albers, PJ Albers and GA Menzies
 Great Missenden Holdings Pty Ltd (GMH), a director-related entity of EG Albers and PJ Albers,
 National Gas Australia Pty Ltd (NGA), a director-related entity of EG Albers
 Setright Oil & Gas Pty Ltd, (Setright), a director-related entity of EG Albers and P J Albers

Company	Service Provided	2007 \$	2006 \$
Capricorn	Management, secretarial and administration services to the company	40,000	20,000
Capricorn	Management of exploration tenements	22,300	45,075
Exoil	Office services and amenities in Melbourne	53,642	-
GMH	Management, secretarial and administration services to the company	-	52,040
GMH	Provision of geological equipment for joint ventures in WA	22,300	45,075
NGA	Provision of office services and amenities in WA	18,578	-
Setright	Accounting, project management and company secretarial services	3,700	4,245
Setright	Accounting, project management of joint ventures	5,752	11,545

(ii) Joint Venture Participants

The company holds interests in petroleum exploration joint ventures with certain director-related entities:

- As operator of the Dampier and Southern Exmouth projects with Strata Resources NL (50%), a director-related entity of EG Albers.
- As a participant of the Northern Deeps project with Strata Resources NL (35%) and Gascorp Australia Ltd (30%) and operator, a director-related entity of EG Albers.
- The participants with United Oil & Gas Pty Ltd in the Western Otway Joint Venture; National Energy Pty Ltd (25%), a director-related entity of EG Albers, and Exoil Ltd (25%) and Moby Oil & Gas Ltd (20%), both director-related entities of EG Albers and GA Menzies.

(iii) Investments in Director-related Companies

At balance date the economic entity carried investments in ASX listed companies in the petroleum industry (Note 6), MEO Australia Ltd and Cue Energy Resources Ltd, director-related entities of EG Albers.

NOTES TO THE FINANCIAL STATEMENTS 30 JUNE 2007

NOTE 15 RELATED PARTY DISCLOSURES (CONTINUED)

Amounts payable by and payable to related parties including those under joint venture arrangements:

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$
Receivables:				
Gascorp Australia Ltd	2,613	5,442	2,613	5,442
Strata Resources NL	-	179,328	-	179,328
United Oil & Gas Pty Ltd	21,317	4,831	21,317	4,831
	<u>23,930</u>	<u>189,601</u>	<u>23,930</u>	<u>189,601</u>
Payables				
Capricorn Mining Pty Ltd	30,125	20,000	30,125	20,000
Great Missenden Holdings Pty Ltd	11,380	57,038	11,380	57,038
National Gas Australia Pty Ltd	20,435	-	20,435	-
Setright Oil & Gas Pty Ltd	4,244	12,005	4,244	12,005
Strata Resources NL	8,140	10,897	8,140	10,897
	<u>74,324</u>	<u>99,940</u>	<u>74,324</u>	<u>99,940</u>

NOTE 16 FINANCIAL INSTRUMENTS

CONSOLIDATED	Floating Interest Rate		Fixed Interest Rate		Non-Interest Bearing		Total Carrying Amount as per Balance Sheet		Weighted Average Effective Interest Rate	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
FINANCIAL ASSETS										
Cash	1,242,428	140,710	1,439,474	1,539,474	-	-	2,681,902	1,680,184	5.30%	5.50%
Receivables	-	-	-	-	46,611	279,390	46,611	279,370	N/A	N/A
Other financial assets	-	-	-	-	9,759,189	7,509,436	9,759,189	7,509,436	N/A	N/A
	<u>1,242,428</u>	<u>140,710</u>	<u>1,439,474</u>	<u>1,539,474</u>	<u>9,805,800</u>	<u>7,788,806</u>	<u>12,487,702</u>	<u>9,468,990</u>		
FINANCIAL LIABILITIES										
Trade creditors	-	-	-	-	138,626	174,116	138,626	174,116	N/A	N/A
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,626</u>	<u>174,116</u>	<u>138,626</u>	<u>174,116</u>		

Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business.

Credit risk

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk of financial assets is represented by the carrying amounts of each financial asset in the balance sheet.

Interest rate risk

The consolidated entity has no exposure to interest rate risk at balance date, other than in relation to cash and cash equivalents which attract an interest rate.

Foreign currency risk

The consolidated entity incurs seismic, exploration and well drillings costs in US dollars. To this extent, the consolidated entity is exposed to exchange rate fluctuations between the Australian and US dollar.

Estimation of Fair values

All financial assets and liabilities are stated at cost, which approximates fair value.

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2007

	Consolidated		The Company	
	2007	2006	2007	2006
	\$	\$	\$	\$

NOTE 17 AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditor of the company for:

Audit and review of the financial reports	32,750	21,500	32,750	21,500
	<u>32,750</u>	<u>21,500</u>	<u>32,750</u>	<u>21,500</u>

NOTE 18 SEGMENT INFORMATION

The economic entity operates in Australia in the petroleum exploration industry.

NOTE 19 EVENTS SUBSEQUENT TO BALANCE DATE

On 10 September 2007, US\$5,950,000 (\$7,543,103) was received from OMV Australia Limited and ENI Australia Limited ("farminees") for a 21% interest in the Northern Deeps Joint Venture reducing the consolidated entity's interest to 14%. The farminees have agreed to acquire and process at least 1,100kms of 2D seismic data in each permit which will meet all the current and future seismic acquisition obligations.

The farminees also have the right under the farmin agreement to earn a further 7% interest in permits WA-362 and WA-363P by committing to drill a well in each permit. OMV and ENI will meet all the costs of Octanex for the first two wells that they may elect to drill in each permit.

The company is negotiating a consulting agreement with Upstream Consulting Pty Ltd, including the grant of options, on terms to be agreed, but at exercise prices not less than 30cents.

	Consolidated	
	2007	2006
	\$	\$

NOTE 20 EARNINGS PER SHARE

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net profit	685,268	2,746
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The weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:

	Number of Shares	Number of Shares
Basic earnings per share	49,653,967	49,653,967
Options expiring 30 June 2008 and dilutive	-	-
Diluted earnings per share	49,653,967	46,653,967

(i) Options not dilutive

During the year ended 30 June 2008 there are 30,244,296 options (2006 30,244,296) expiring. They are not dilutive as at the 30th June 2007 as the exercise price is higher than the average share price for the year then ended.



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTANEX NL

We have audited the accompanying financial report of Octanex NL ("the company") and the consolidated entity for the year ended 30 June 2007. The financial report comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity for both the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the consolidated entity has disclosed information about the remuneration of directors and executives ("remuneration disclosures") required by Australian Accounting Standard AASB 124 *Related Party Disclosures* under the heading "remuneration report" in page 7 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report and AASB 124 remuneration disclosures contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the 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. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our responsibility is to also express an opinion on the remuneration disclosures contained in the directors' report based on our audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Chartered Accountants
& Business Advisers

Auditor's Opinion

In our opinion:

- (a) the financial report of Octanex NL is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial report also complies with International Financial Reporting Standards, as disclosed in Note 1(a); and
- (c) the remuneration disclosures that are contained within the remuneration report on page 7 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

PKF

PKF
Chartered Accountants

M L Port

M L Port
Partner

20 September 2007
Melbourne



Chartered Accountants
& Business Advisers

20 September 2007

The Directors
Octanex NL
Level 25
500 Collins Street
MELBOURNE VIC 3000

Dear Sirs

INDEPENDENCE DECLARATION

As lead engagement partner for the audit of Octanex NL, for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

Chartered Accountants

Michael Port

M L Port
Partner