

# **OCTANEX NL**

ABN 61 005 632 315

## **HALF YEAR FINANCIAL REPORT**

**31 DECEMBER 2008**

## **DIRECTORY**

### **DIRECTORS**

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

### **COMPANY SECRETARY**

J.G. Tuohy

### **REGISTERED OFFICE**

Level 21  
500 Collins Street  
Melbourne, Victoria 3000

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

### **AUDITOR**

BDO Kendalls Audit & Assurance (NSW-VIC)  
Pty Ltd  
GPO Box 4736  
Melbourne, Victoria 3001

### **SHARE REGISTRY**

Link Market Services Limited  
Level 4  
333 Collins Street  
Melbourne, Victoria 3000  
Telephone: (03) 9615 9800  
Facsimile: (03) 9615 9900

### **STOCK EXCHANGE LISTING**

National Stock Exchange of Australia Ltd  
384 Hunter Street  
Newcastle, NSW 2300  
Website: [www.nsx.com.au](http://www.nsx.com.au)

**NSX Code: OCT      Ordinary Shares**  
**OCTOF      Options 30 June 2009**

### **INCORPORATED**

Incorporated in Victoria, Australia on  
13 March 1980

**WEBSITE:** [www.octanex.com.au](http://www.octanex.com.au)

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### **CURRENCY**

The company's functional and presentation currency is Australian Dollars

### **FORWARD LOOKING STATEMENTS**

This 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.

## **DIRECTORS' REPORT**

The directors present their report on the consolidated results of Octanex N.L. (*NSX Code: OCT*) and its wholly-owned subsidiary, Octanex Operations Pty Ltd, ("the company", "the group" or "Octanex") for the half year ended 31 December 2008.

### **DIRECTORS**

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

**EG Albers** LL.B, FAICD  
*Chairman and Chief Executive Officer*  
*Executive Director*

Mr Albers is a company director with over thirty-five years experience as a lawyer and administrator in corporate law, petroleum exploration and resource sector investment. During this period he 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/appraisal in the Timor Sea, the SE Gobe oilfield development in Papua New Guinea and the Oyong oil/gas discovery in Indonesia. Mr Albers is Chairman of ASX-listed Moby Oil & Gas Limited and a director of Bass Strait Oil Company Ltd and Cue Energy Resources Ltd (these companies also ASX-listed) and of NSX-listed Exoil Limited. He is also a director and shareholder of various other private and unlisted public companies and a member of the Petroleum Exploration Society of Australia. Director since 2 October 1984.

**PJ Albers**  
*Non-Executive Director*

Mrs Albers has had more than thirty-five years of commercial experience including co-ownership and management of a significant primary production operation. She has been a director of a number of corporations, including public companies, over the last fifteen years. Mrs Albers has a background in human resources, health and safety and in public relations. Director since 23 March 1996.

**GA Menzies** LL.B  
*Independent Non-Executive Director*

Mr 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 of a large number of public companies ranging from junior explorers to substantial mining companies. Over recent years, his activities have focused primarily on corporate reconstructions and capital raisings. Mr Menzies is also a director of ASX-listed Moby Oil & Gas Limited, Papyrus Australia Limited and Oil Basins Limited. Director since 26 August 2003.

### **OPERATING RESULT FOR THE YEAR**

The group recorded a loss after tax for the half year of \$3,112,055 (which includes an impairment loss on listed shares of \$2,811,509, after tax). (31 December 2007: profit of \$7,164,576).

### **REVIEW OF OPERATIONS**

Over the past half year, the company held royalty and reversionary interests in three petroleum exploration permits and participating interests in four joint ventures that hold a further eight petroleum exploration permits, all located in the offshore waters of Australia.

## **DIRECTORS' REPORT (Continued)**

### **PETROLEUM EXPLORATION INTERESTS**

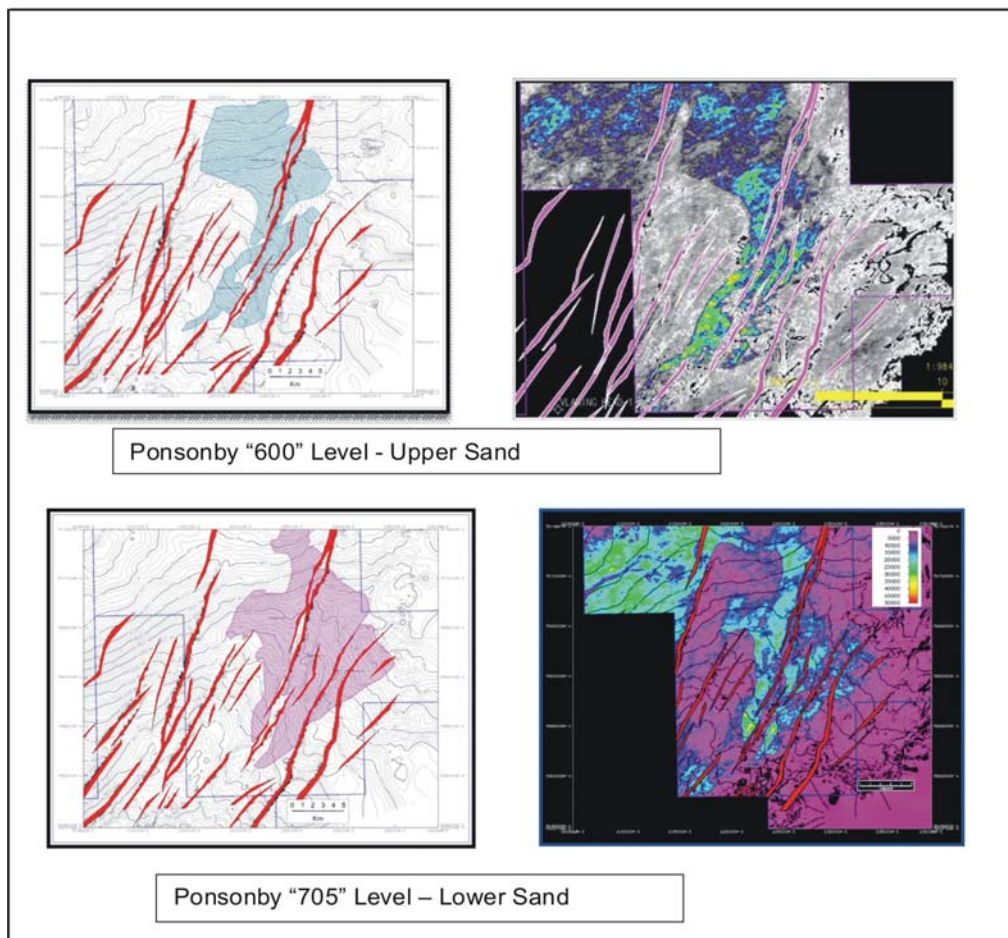
Octanex N.L. holds direct and indirect interests in 11 petroleum exploration permits in the offshore basins of Australia, with a concentration of these permits on the Greater North West Shelf offshore from Western Australia. Five permits are located in the Exmouth Sub-basin (WA-384-P, WA-385-P, WA-394-P, WA-322-P and WA-329-P), two are located in the Dampier Sub-basin (WA-323-P and WA-330-P) and a further two are located on the Exmouth Plateau (WA-362-P and WA-363-P). The remaining two permits are in the Otway Basin in south eastern Australia (EPP 34 and Vic/P61).

#### **WA-322-P, EXMOUTH SUB-BASIN (Octanex 50% interest)**

The WA-322-P Joint Venture consists of:

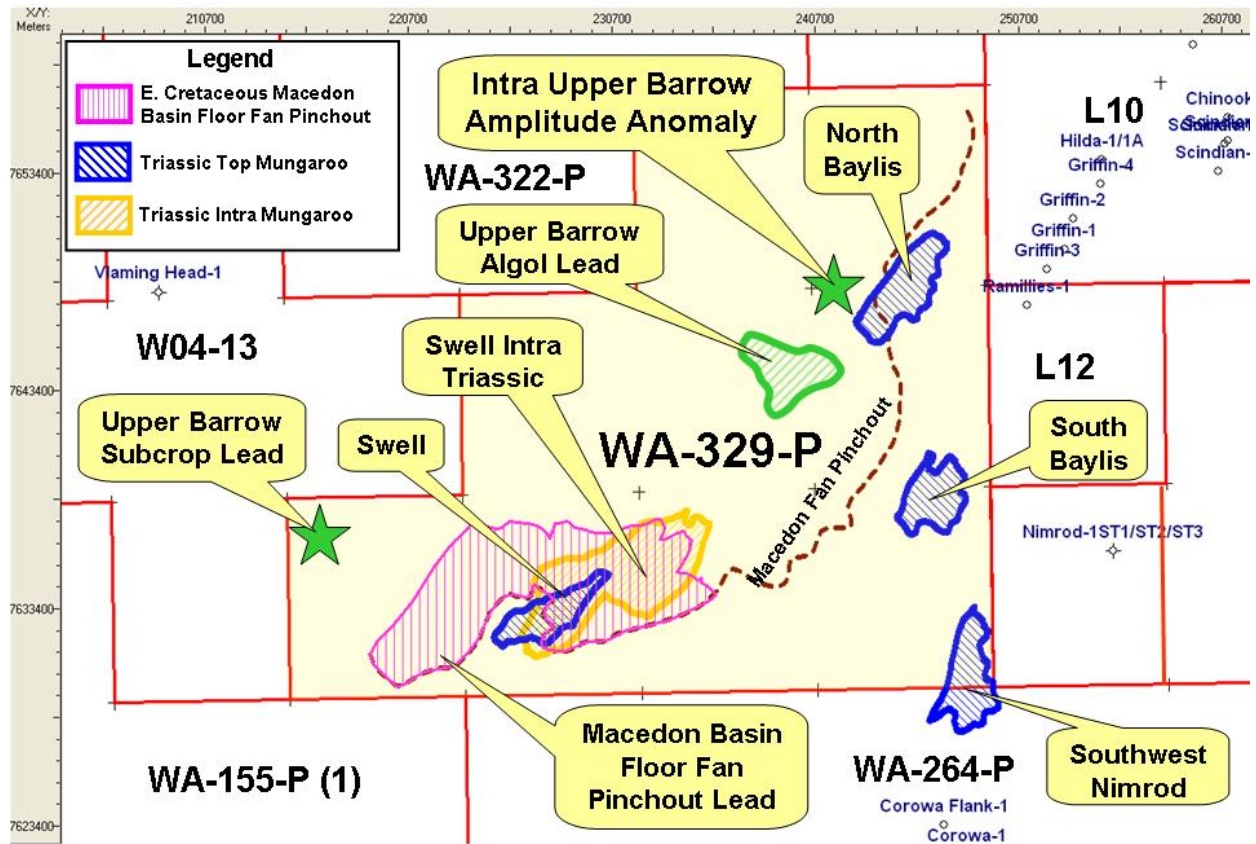
Octanex N.L.	50% and Operator
Strata Resources N.L.	50%

The joint venture holds a substantial amount of 3D seismic over this permit (see permit location map on next page), including approximately 640 km<sup>2</sup> of 3D acquired as part of the HCA04A Survey. The joint venture is in the process of interpreting and reassessing prospectivity in the permit, with an emphasis on the Ponsonby Prospect - see following maps.





## DIRECTORS' REPORT (Continued)



*Leads Map – WA-329-P*

### WA-323-P and WA-330-P, DAMPIER SUB-BASIN (Octanex 50% interest)

The Joint Venture for these permits consists of:

Octanex N.L.	50% and Operator
Strata Resources N.L.	50%

The company holds a 50% interest in the Dampier Project which now consists of two contiguous tenements, WA-323-P and WA-330-P, and comprises a discrete project area of 640 kms<sup>2</sup>. A location map of these two permits is provided on page 6 below.

With its co-venturer, Strata Resources NL, the company has acquired an off-bottom cable (OBC) 3D seismic survey over the Winchester Prospect. The total outline area of the survey is some 195 km<sup>2</sup>, of which approximately 82 km<sup>2</sup> was the subject of high-fold data acquisition, while the remaining area will provide further, less intensive, seismic data (see survey map on following page).

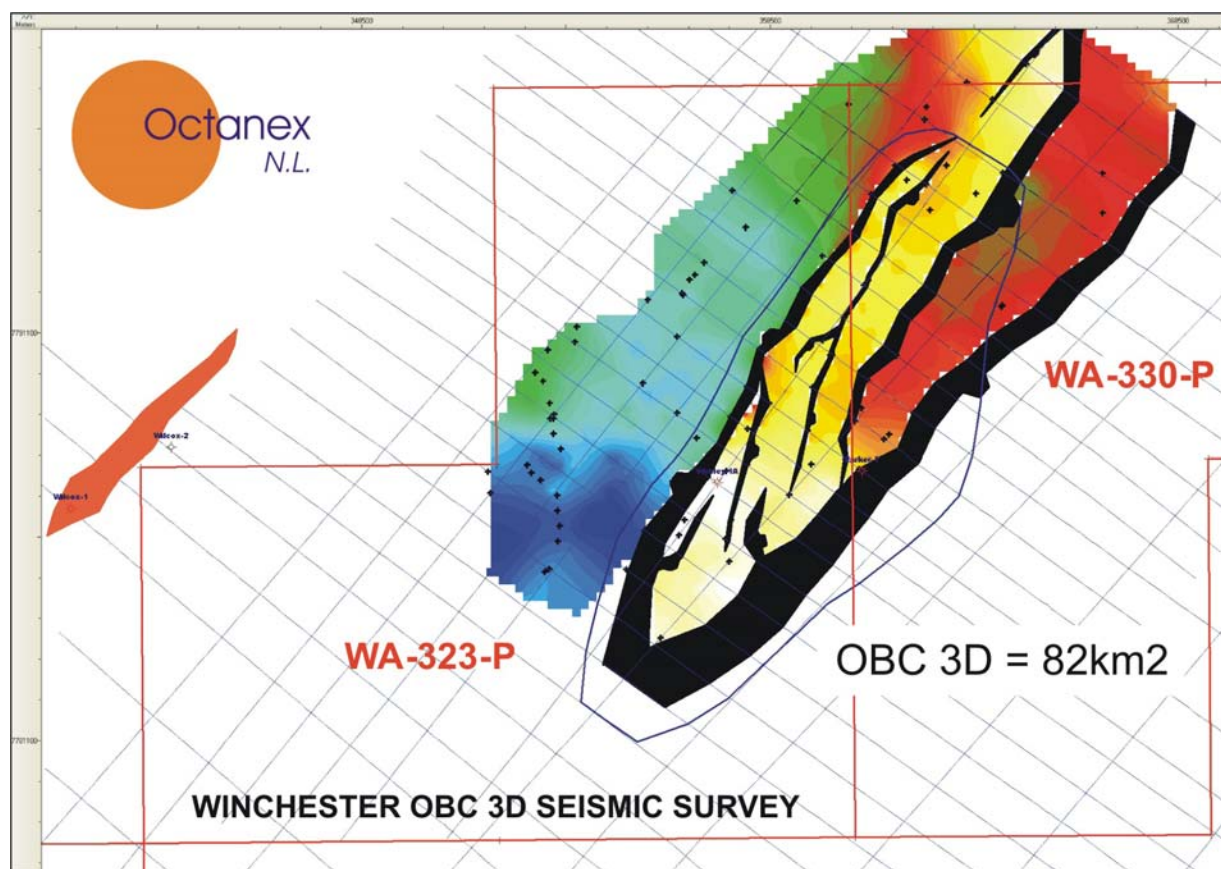
Sophisticated processing of the Winchester 3D seismic data was undertaken following acquisition and is ongoing at the date of this report.



## **DIRECTORS' REPORT (Continued)**

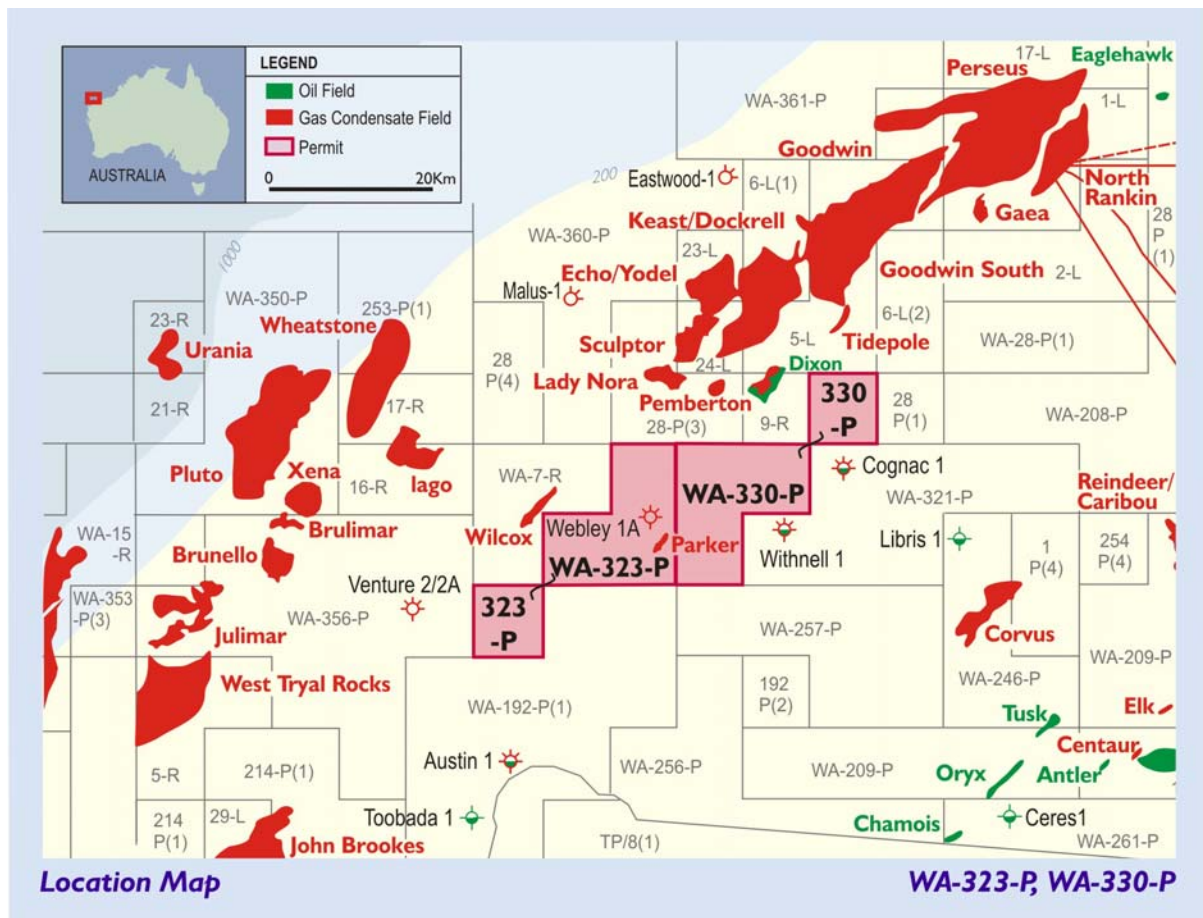
The focus of the Winchester 3D seismic survey was the Winchester Prospect, which is located on the Parker/Webley horst and terrace feature and being part of the more regional Rankin Trend and Kendrew Trough. The general region is proven for the formation, location and production of both oil and natural gas.

Major commercial hydrocarbon discoveries in proximity to the permits include the giant gas and condensate fields of the North West Shelf; these being Goodwyn, North Rankin and Perseus, while the significant oil fields in Lambert, Wanaea and Cossack are in the same region. Recently, sizeable new gas discoveries have been made at Julimar, Brunello, Brulimar, Xena, Pluto and Wheatsone, to the immediate west of the permits, while the Lady Nora and Pemberton discoveries have been made to the north.



The Webley/Parker horst structure has been identified by the joint venture and is seen as having potential for Triassic and/or Early Jurassic structural traps. The joint venture's aim is to demonstrate that there is a structure at Winchester, with potential Triassic Mungaroo reservoirs and with sufficient potential for liquids rich gas that is worth drilling. In the vicinity there are two wells and five penetrations, Parker-1 & ST1 (1979/80) and Webley-1, ST1 & 1A (1998/9) – see well location map on page 7. The Joint Venture believes the Parker penetrations in 1979/80 demonstrated a gas discovery in the Triassic. None of the shallow Webley-1 well penetrations were deeper than the upper part of the Early Cretaceous regional seal. Those Webley penetrations were therefore entirely irrelevant as regards their actual and much deeper Jurassic/Triassic targets. The target previously seen by others in the Webley well remains undrilled.

## DIRECTORS' REPORT (Continued)



The Parker-1 well penetrated Middle Jurassic shales on a terrace but, because of drilling problems, was not logged before TD. The well ended in stacked sands and shales. The Parker well was then side tracked, but again the sands were not logged due to rig (anchor chain broke) and subsequent drilling problems. The sands in the Parker-1 well and Parker-1 Side Track both contained strong gas shows (see comparative log data below). The cuttings contained coals, 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. The joint venture therefore regards the Parker-1 penetrations as a Triassic gas discovery in the Mungaroo sands.

The joint venture believes that the Parker gas shows represent potential for a significant gas accumulation that may extend updip into the Winchester horst to the west and possibly within the terrace block as well, in which event the trap would be larger. The prime purpose of the acquisition of the Winchester OBC 3D seismic survey was aimed at providing information and insight into the horst and to demonstrate the depth and extent of a closure of the Winchester feature.

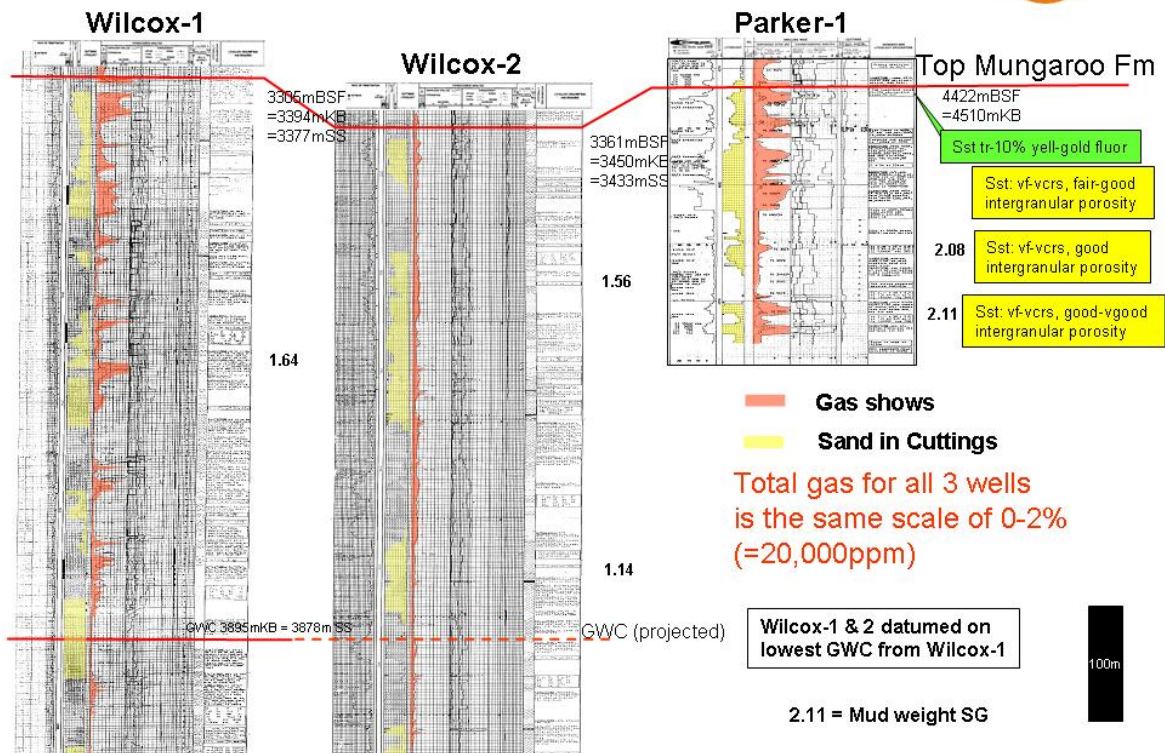
The following log data diagram shows the juxtaposition of the Winchester Prospect to the Parker-1 gas discovery and the Wilcox gas discovery in the adjacent permit (not owned by the joint venture).

Existing infrastructure and likely future extensions, as well as new infrastructure in proximity to Winchester, bodes well for any discovery that may be made, whether oil or gas. Significant future demand for gas to supply both domestic demand and LNG developments are anticipated, so that any potential gas discovery made in the company's permits is seen as being valuable and capable of monetisation, particularly so if such a gas discovery were to be rich in gas liquids.

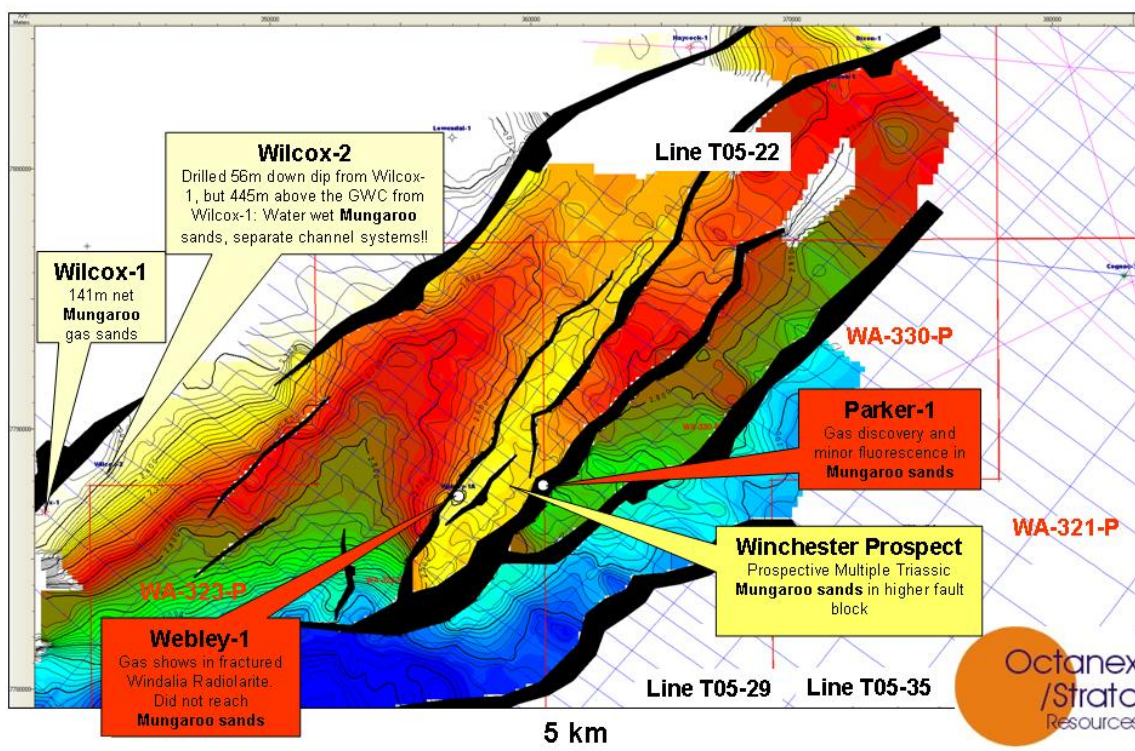


## DIRECTORS' REPORT (Continued)

### Parker-1 Gas Discovery compared with Wilcox-1 Gas Discovery



### Parker/Webley Horst - Top Triassic TWT Map Winchester Prospect



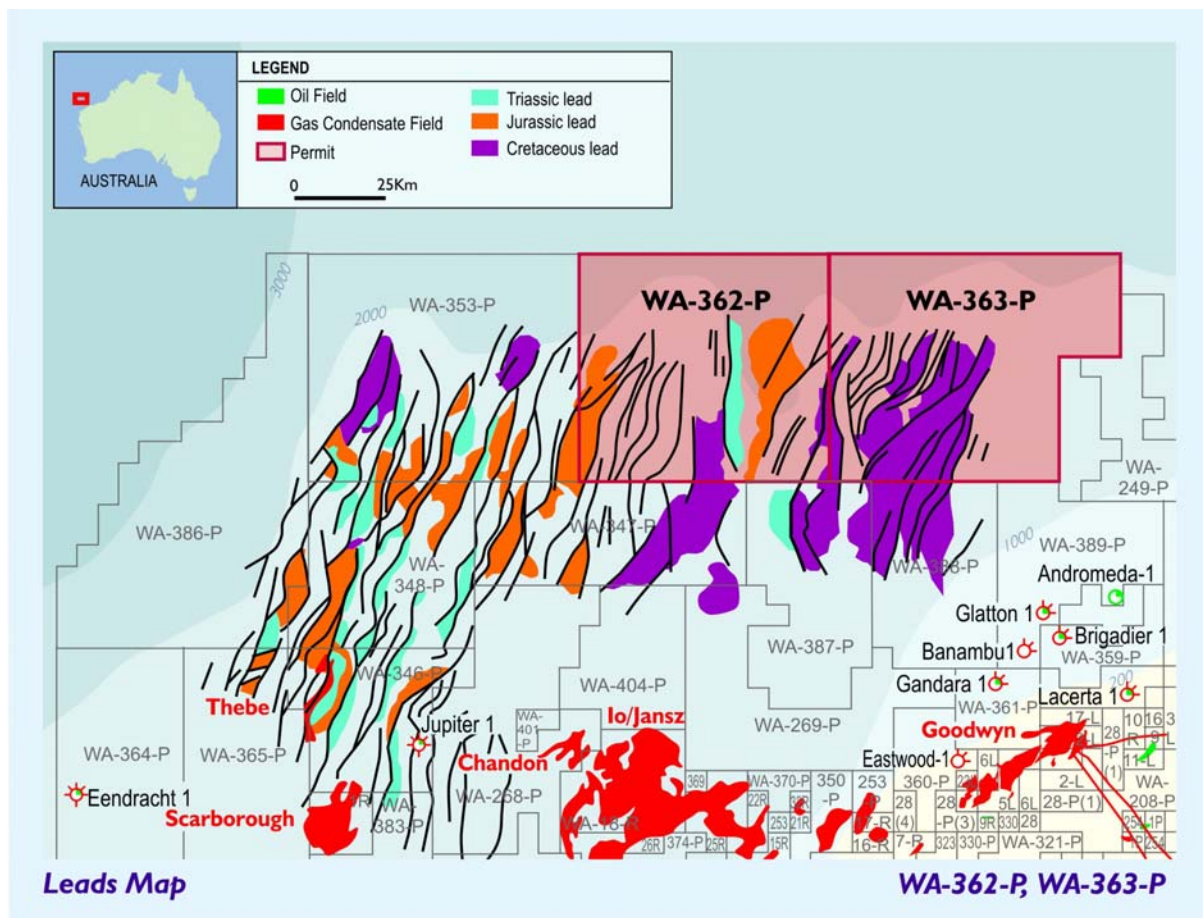
## DIRECTORS' REPORT (Continued)

### WA-362-P and WA-363-P, EXMOUTH PLATEAU (Octanex 14% interest)

The Joint Venture for these permits consists of:

OMV Australia Limited	30% and Operator
ENI Australia Limited	30%
Octanex N.L.	14%
Strata Resources N.L.	14%
Exmouth Exploration Pty Ltd	12%

Octanex holds a 14% interest in each of these two outer Exmouth Plateau exploration blocks after entering into a joint venture and farmin agreement with OMV Australia Limited (“OMV”) and ENI Australia Limited (“ENI”). The permits, which cover an aggregate area of approximately 21,765 kms<sup>2</sup>, 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 and which includes the giant gas resources of the North West Shelf (Rankin Trend), the Greater Gorgon region and Io/Janz. The following map shows the location of the two permits.



The joint venture Operator, OMV, continued the processing of the 7,407 km Klimt 2D seismic survey during the half year.





## DIRECTORS' REPORT (Continued)

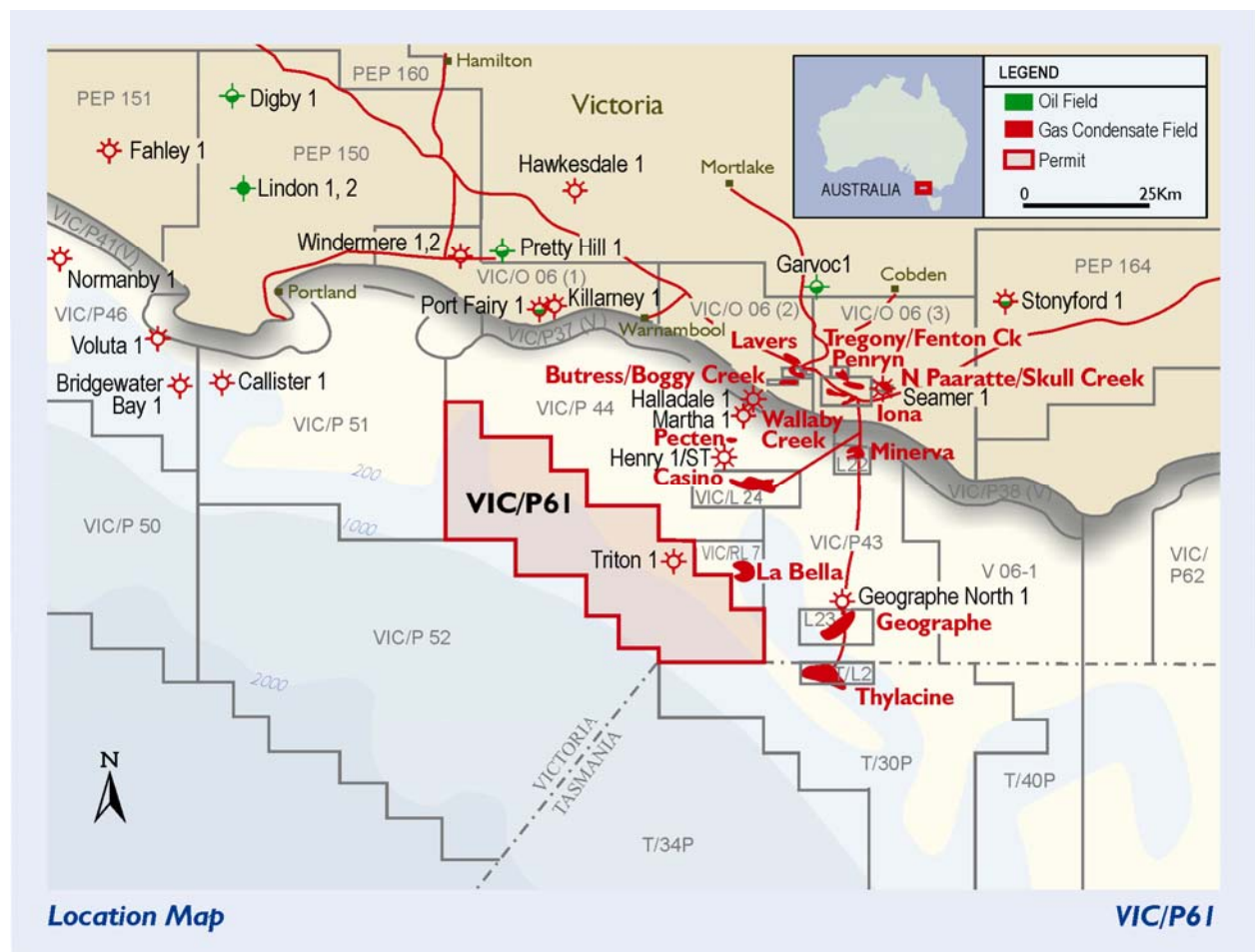
### VIC/P61, OTWAY BASIN (Octanex 10% interest earning pursuant to farmin)

The Vic/P61 Joint Venture consists of:

Exoil Limited	30% and Operator
Gascorp Australia Pty Ltd	30%
Moby Oil & Gas Limited	20% *
Octanex N.L.	10% *
Strata Resources N.L.	10% *

(\* These interests are being earned pursuant to farmout arrangements with Exoil and Gascorp.)

The company agreed to earn a 10% interest in Vic/P61 in return for meeting a 10% share of past costs and future ongoing costs. A 2D seismic program in Vic/P61 was planned to take place in Q2 2009 but has been delayed indefinitely pending resolution of environmental based requirements. The joint venture is undertaking critical evaluation of future operations, given the highly restrictive environmental requirements and the difficulty of reconciling good technical and acquisition practice with those requirements.



## DIRECTORS' REPORT (Continued)

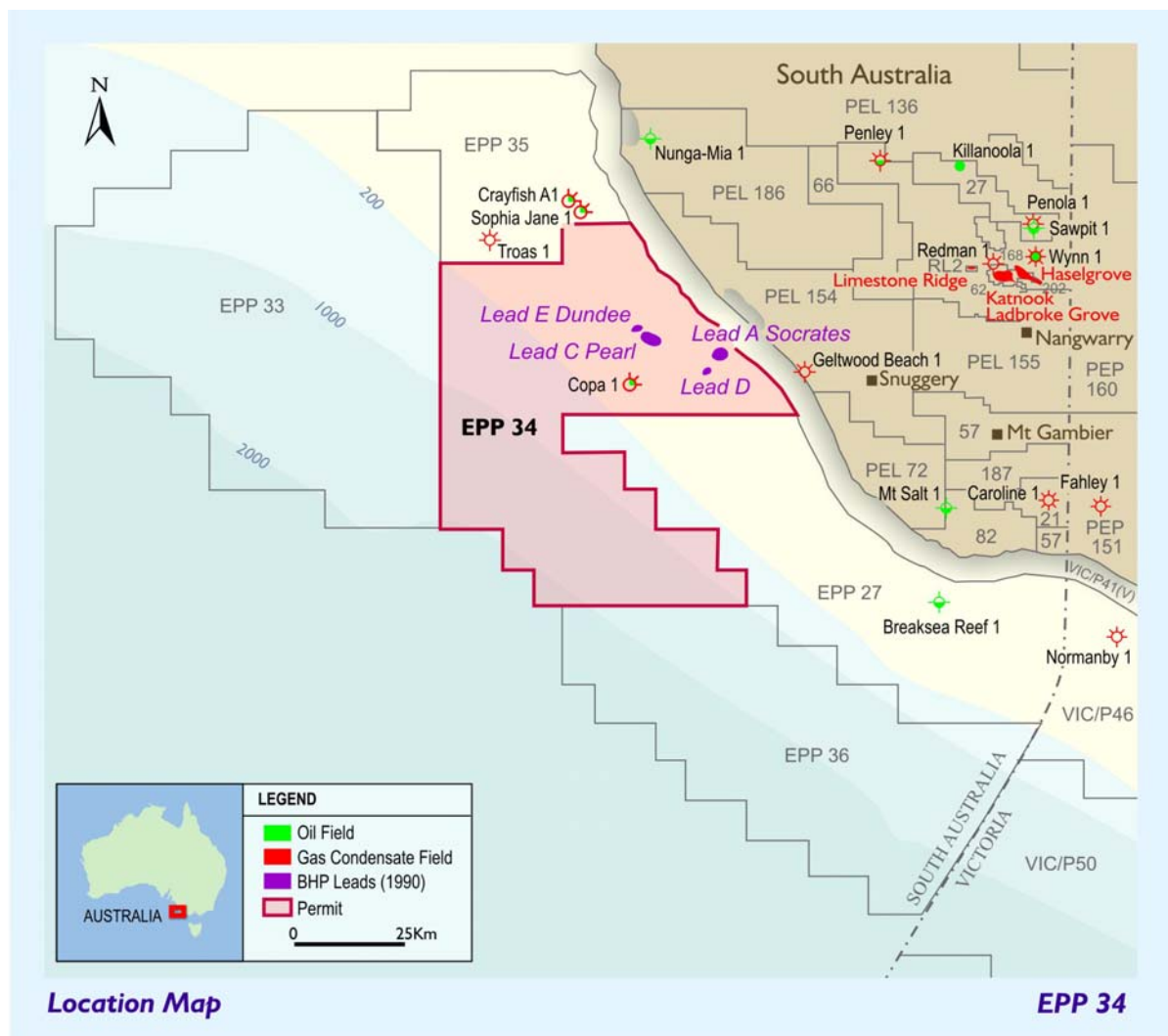
**EPP 34, OTWAY BASIN (Octanex 15%)**

The EPP 34 Joint Venture consists of:

Exoil Limited	15% and Operator
United Oil & Gas Pty Ltd	30% (Octanex as to 15%)
Moby Oil & Gas Limited	20%
National Energy Pty Ltd	15%
Gascorp Australia Pty Ltd	10%
National Gas Australia Pty Ltd	10%

Processing of the Trocopa seismic survey of 1,100 km of new 2D data was undertaken during the reporting period. Reprocessing of old data is also underway. Interpretation has focused on the northern shelfal section of the block, targeting the Early Cretaceous Pretty Hill Sandstone.

The new seismic survey will provide extensive modern 2D coverage in the northern part of the permit in the expectation that it may present the possibility of a series of gas plays.





## **DIRECTORS' REPORT (Continued)**

### **INVESTMENTS**

#### **Cue Energy Resources Limited (ASX Code: CUE)**

The group presently holds 36,380,140 shares of the issued capital of Cue Energy Resources Limited ("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](http://www.cuenrg.com.au)

#### **Babcock and Brown Power (ASX Code: BBP)**

The company holds 7,263,289 shares in Babcock & Brown Power ("BBP").

BBP's main activities are operating and investing in a portfolio of power stations consisting of base load, intermediate and peaking power stations. BBP's most recently stated intention is to rationalise its diversified portfolio of power generation assets and to pay down project and other debt.

Additional information about BBP may be obtained from BBP, from documents lodged by BBP with ASX and from the BBP website [www.bbppower.com](http://www.bbppower.com)

#### **Orion Petroleum Limited (ASX Code: OIP)**

The company holds 10,722,923 shares in Orion Petroleum Limited ("Orion").

Orion's main activity is as an oil and gas explorer operating within a number of petroleum exploration licences in northern NSW in which it has an interest.

Additional information about Orion may be obtained from Orion, from documents lodged by Orion with ASX and from the Orion website [www.orionpetroleum.com.au](http://www.orionpetroleum.com.au)

#### **Gas2Grid Limited (ASX Code: GGX)**

The company holds 6,000,000 shares in Gas2Grid Limited ("G2G").

G2G is a Sydney-based oil and gas exploration company that was formed to appraise a 1960 gas and oil discovery onshore Cebu Island in the Republic of the Philippines. G2G holds 100% of Petroleum Service Contract (exploration license) SC44 on Cebu Island, which contains the Malolos gas and oil discovery and other wells with hydrocarbon shows.

Additional information about G2G may be obtained from G2G, from documents lodged by G2G with ASX and from the G2G website [www.gas2grid.com](http://www.gas2grid.com)

## **DIRECTORS' REPORT (Continued)**

### **Bass Strait Oil Company Ltd (ASX Code: BAS)**

The company holds 2,000,000 ordinary shares in Bass Strait Oil Company Ltd ("Bass").

Bass holds interests in various petroleum exploration permits in the Gippsland, Bass and Otway Basins.

Information about Bass may be obtained from Bass, from documents lodged by Bass with the ASX and from the Bass website [www.bassoil.com.au](http://www.bassoil.com.au)

### **Platsearch NL (ASX Code: PTS)**

The company holds 50,000 ordinary shares in Platsearch NL ("Platsearch").

Platsearch is a mineral exploration company with an eastern Australian focus.

Information about Platsearch may be obtained from Platsearch, from documents lodged by Platsearch with the ASX and from the Platsearch website [www.platsearch.com.au](http://www.platsearch.com.au)

## **SERVICE CONTRACTS**

There are no service contracts in place or proposed with any of the directors of the company as at the signing of this report.

## **WEBSITE**

The company has a website that can be found at [www.octanex.com.au](http://www.octanex.com.au) where relevant company documents and information are displayed.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The company has obtained an independence declaration, as required under section 307C of the Corporations Act 2001, from the auditors, BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd, a copy of which is attached to this report.

On behalf of the Board



E.G. Albers  
Director

Melbourne, 12 March 2009

**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 comprising the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and the accompanying 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 2008 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 consolidated entity 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, 12 March 2009

**INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	NOTE	31/12/2008 \$	CONSOLIDATED 31/12/2007 \$
Income	3	692,470	10,527,235
Expenses	3	<u>(4,929,948)</u>	<u>(286,682)</u>
(Loss) profit before income tax		(4,237,478)	10,240,553
Income tax benefit (expense)		<u>1,125,473</u>	<u>(3,075,977)</u>
(Loss) profit after income tax		<u>(3,112,005)</u>	<u>7,164,576</u>
Basic (loss) earnings per share		(0.062)	0.144
Diluted (loss) earnings per share		(0.062)	0.144

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

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

	NOTES	31/12/2008 \$	CONSOLIDATED 30/06/2008 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		20,673,571	23,004,274
Trade and other receivables		67,035	305,060
Foreign exchange contract		-	55,388
<b>TOTAL CURRENT ASSETS</b>		<u>20,740,606</u>	<u>23,364,722</u>
<b>NON-CURRENT ASSETS</b>			
Other financial assets		5,423,581	13,101,351
Exploration and evaluation expenditure		<u>5,623,955</u>	<u>2,322,667</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<u>11,047,536</u>	<u>15,424,018</u>
<b>TOTAL ASSETS</b>		<u>31,788,142</u>	<u>38,788,740</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		228,258	759,694
Current tax liabilities		<u>6,171,684</u>	<u>6,162,024</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>6,399,942</u>	<u>6,921,718</u>
<b>NON-CURRENT LIABILITIES</b>			
Provision for share based payment		184,378	221,295
Other payable	6	3,056,598	-
Deferred tax liability		<u>1,126,911</u>	<u>3,846,052</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>4,367,887</u>	<u>4,067,347</u>
<b>TOTAL LIABILITIES</b>		<u>10,767,829</u>	<u>10,989,065</u>
<b>NET ASSETS</b>		<u>21,020,313</u>	<u>27,799,675</u>
<b>EQUITY</b>			
Issued capital	7	4,221,718	4,219,918
Reserves		541,617	4,210,774
Retained earnings		<u>16,256,978</u>	<u>19,368,983</u>
<b>TOTAL EQUITY</b>		<u>21,020,313</u>	<u>27,799,675</u>

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



**CASH FLOW STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	<b>CONSOLIDATED</b>	
	<b>31/12/2008</b>	<b>31/12/2007</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers - exploration	(1,136,797)	(100,206)
Payments to suppliers - other	(213,143)	(145,679)
Proceeds from sale of tenements	-	7,432,654
Interest received	<u>708,693</u>	<u>224,158</u>
Net cash from operating activities	<u>(641,247)</u>	<u>7,410,927</u>
<b>INVESTING ACTIVITIES</b>		
Payments for investments	(1,723,778)	-
Proceeds from sale of investments	<u>-</u>	<u>2,889,616</u>
Net cash from investing activities	<u>(1,723,778)</u>	<u>2,889,616</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from new share issue	<u>1,800</u>	<u>-</u>
Net cash from financing activities	<u>1,800</u>	<u>-</u>
Net (decrease) / increase in cash assets	(2,363,225)	10,300,543
Exchange gains / (losses)	32,522	(3,188)
Cash assets at the beginning of the half year	<u>23,004,274</u>	<u>2,681,902</u>
Cash assets at the end of the half year	<u>20,673,571</u>	<u>12,979,257</u>

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

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	<b>CONSOLIDATED</b>				
	<b>Issued Capital \$</b>	<b>Asset Revaluation Reserve \$</b>	<b>Option Reserve \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
At 1 July 2008	4,219,918	4,109,112	101,662	19,368,983	27,799,675
Options exercised	1,800	-	-	-	1,800
Loss on revaluation of financial assets at fair value	-	(5,280,028)	-	-	(5,280,028)
Tax on items taken directly to equity	-	1,584,008	-	-	1,584,008
Cost of share options granted	-	-	26,863	-	26,863
Net income recognised directly in Equity	1,800	(3,696,020)	26,863	-	(3,667,357)
Loss for the period	-	-	-	(3,112,005)	(3,112,005)
Total recognised income and expense for the period	1,800	(3,696,020)	26,863	(3,112,005)	(6,779,362)
At 31 December 2008	<u>4,221,718</u>	<u>413,092</u>	<u>128,525</u>	<u>16,256,978</u>	<u>21,020,313</u>
At 1 July 2007	3,956,700	5,250,233	-	1,503,237	10,710,170
Investments disposed – revalued amount	-	(2,488,573)	-	-	(2,488,573)
Gain on revaluation of financial assets at fair value	-	1,509,756	-	-	1,509,756
Tax on items taken directly to equity	-	(452,927)	-	-	(452,927)
Cost of share options granted	-	-	75,090	-	75,090
Net income recognised directly in Equity	-	(1,431,744)	75,090	-	(1,356,654)
Profit for the period	-	-	-	7,164,576	7,164,576
Total recognised income and expense for the period	-	(1,431,744)	75,090	7,164,576	5,807,922
At 31 December 2007	<u>3,956,700</u>	<u>3,818,489</u>	<u>75,090</u>	<u>8,667,813</u>	<u>16,518,092</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**NOTE 1 CORPORATE INFORMATION**

The consolidated financial report of Octanex NL (“the company”) and its subsidiary (“the group”) for the half year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 12 March 2009. Octanex NL is a company incorporated and domiciled in Australia. Its shares are publicly listed on the National Stock Exchange of Australia (“NSX”).

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half year consolidated 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 group as the annual financial report does.

The half year consolidated financial report should be read in conjunction with the annual financial report of the group for the year ended 30 June 2008.

The half year consolidated financial report should be considered together with any public announcements made by Octanex N.L. during the half year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**(a) Basis of preparation**

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

The half year consolidated financial report has been prepared on an historical cost basis, except for available-for-sale investments that are measured at fair value.

For the purpose of preparing the half year consolidated financial report, the six months have been treated as a discrete reporting period.

**(b) Summary of significant accounting policies**

The half year consolidated financial statements have been prepared by applying the same accounting policies as used in the annual financial report for the year ended 30 June 2008, except as provided by Note 2(d).

**(c) Basis of consolidation**

The half year consolidated financial statements comprise the financial statements of Octanex N.L. and its wholly-owned subsidiary, Octanex Operations Pty Ltd, as at 31 December 2008. Octanex Operations Pty Ltd operates and is incorporated in Australia and its principal activity is investment in the petroleum exploration sector.

**(d) Exploration and evaluation costs**

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

From 1 July 2008 the company has incurred borrowing costs that are directly attributable to the acquisition, construction or production of the related exploration asset. Borrowing costs incurred for the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed when incurred.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

	<b>31/12/2008</b>	<b>CONSOLIDATED 31/12/2007</b>
	\$	\$
<b>NOTE 3 EXPENSES AND INCOME</b>		
<b>(i) Income</b>		
Interest received on cash balances	692,470	266,327
Foreign exchange gains	-	596,183
Profit from sale of investments	-	2,882,154
Profit from sale of exploration tenement	-	<u>6,782,571</u>
	<u>692,470</u>	<u>10,527,235</u>
<b>(ii) Expenses</b>		
Administration fees - director related	110,918	79,458
Administration fees - other	104,495	66,147
Auditors' remuneration	29,287	11,500
Consulting	40,191	-
Directors' remuneration	32,700	10,900
Foreign exchange losses	604,519	-
Impairment of available-for-sale financial assets (Note 9)	4,016,442	-
Interest expenses	1,450	-
Share based payments: deemed value of phantom shares and options at grant	<u>(10,054)</u>	<u>118,677</u>
	<u>4,929,948</u>	<u>286,682</u>

**NOTE 4 EXPLORATION EXPENDITURE COMMITMENTS**

Expenditure commitments include obligations arising from the minimum work obligations for the initial three year period of exploration permits and thereafter commitments made annually. Minimum work obligations may, subject to negotiation and approval, be varied. They may also be satisfied by farmout, sale, relinquishment or surrender of a permit.

Estimated expenditure to satisfy possible exploration permit work obligations at balance date were:

Not later than 1 year	97,500	1,037,500
Payable later than one year but not later than three years	<u>3,248,000</u>	-
	<u>3,345,500</u>	<u>1,037,500</u>

**NOTE 5 SEGMENT INFORMATION**

The group operates in Australia in the petroleum exploration industry.

**NOTE 6 OTHER PAYABLE**

The company has a long term payable with Geokinetics (Australia) Pty Ltd for work completed in August 2008 for the acquisition of 3D seismic data. In absolute terms, before adjustments required by accounting standards, the payable is \$5,297,147. After adjustments for the discounting of the cash flows arising on the payable the liability is reduced to \$3,056,598.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**NOTE 7 CONTRIBUTED EQUITY**

	<b>31/12/2008</b>		<b>30/06/2008</b>	
	<b>Shares</b>	<b>\$</b>	<b>Shares</b>	<b>\$</b>
<i>Ordinary Shares</i>				
Issued and fully paid	50,556,837	4,221,718	50,556,837	4,219,918

	<b>31/12/2008 Options</b>	<b>30/06/2008 Options</b>
<i>Options over Unissued Shares</i>		
Listed Options outstanding over ordinary shares	28,914,710	28,854,710

*30 June 2009 Listed Options – exercisable at 25 cents*

The company has granted options over unissued shares in the company. The options do not confer the right to dividends or to vote at meetings of shareholders. Shares allotted on exercise of the options will rank pari passu in all respects with other fully paid ordinary shares. On the prior exercise of the options, each option will entitle the holder to participate in new issues in which shares or other securities are offered to shareholders.

The options were originally exercisable on or before 30 June 2008. On the 18th April 2008 the company offered holders the right to elect to extend the exercise date of their options to 30 June 2009.

**NOTE 8 RELATED PARTIES**

*Transactions with Directors and Director-Related Entities*

During the half year, fees were paid under normal commercial terms and conditions to director-related entities of E.G. Albers, for project administration and management, in the amount of \$110,908 (2007: \$77,458).

**NOTE 9 IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS**

The impairment loss recognised in the half year relates to listed shares held in Babcock and Brown Power (“BBP”) and Bass Strait Oil Company Limited (“Bass”). At balance date the company held 7,263,289 BBP shares at a cost of 63.7 cents per share, while the market price per share at that date was 11 cents. At balance date the company held 2,000,000 Bass shares at a cost of 12.5 cents per share, while the market price per share at that date was 3 cents.

**NOTE 10 EVENTS SUBSEQUENT TO BALANCE DATE**

At a general meeting held on 10 February 2009, shareholders unanimously approved the resolutions to enable the company to acquire all of the shares in each of Strata Resources N.L. and Exmouth Exploration Pty Ltd. The terms of the proposed acquisition transactions and detailed background information were provided to shareholders in the Explanatory Memorandum of 23 December 2008; which is available on the Company’s website.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

**NOTE 10 EVENTS SUBSEQUENT TO BALANCE DATE (Continued)**

As explained in Note 9, an impairment loss was recognised in the current period in relation to listed shares held in BBP. At 9 March 2009 the market price per BBP share was 3.6 cents; this would create an additional impairment loss of \$537,483 on those shares at that date.



BDO Kendalls

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Octanex N.L

ABN 17 114 673 540

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Octanex N.L, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies other selected explanatory notes and the directors' declaration of the consolidated entity comprising the group and the entity it controlled at the half-year end or from time to time during the half-year in order for the group to lodge the half-year financial report with the Australian Securities and Investments Commission.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the group are responsible for the preparation and fair presentation of the half-year 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 control 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Octanex NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

#### *Conclusion*

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 N.L is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.



**BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd**  
Chartered Accountants



**NICHOLAS E. BURNE**  
Director

Melbourne, 12<sup>th</sup> March 2009



BDO Kendalls

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## **DECLARATION OF INDEPENDENCE BY NICHOLAS E. BURNE TO THE DIRECTORS OF OCTANEX N.L**

As lead auditor for the review of Octanex N.L for the half-year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Octanex N.L and its controlled entity.

**NICHOLAS E. BURNE**  
Director

**BDO Kendalls Audit & Assurance (NSW-VIC) Pty Ltd**  
Chartered Accountants

Melbourne, 12<sup>th</sup> March 2009